● SUNDAY TIMES
business news

CBI says 4% growth or else...

BY KEITH RICHARDSON

TISH INDUSTRIALISTS have ved clear notice on the Govern- nt that last week's offer to set a voluntary price brake will be drawn if they are not satisfied the mini-Budget which Anthony ber, the Chancellor of the hequer, presents to the House of mons tomorrow.

heir bench-mark is that the Budget t be expansionary enough to lerate the economic growth rate between mid-1971 and mid-1972. ubstantial part of this expansion, erably a third, must be geared to ulating industrial investment.

return the Confederation of British stries, after giving the Chancellor il months notice of the plan, has revealed to him full details of the ecedented degree of support which already been pledged to the price down by the leaders of the country's est companies.

has thus been made clear that to- row's Budget is the best but the last ce for the Government to achieve voluntary restriction on prices which s been seeking ever since the election. t is rejected then the chances of ntary wage restraint are almost cer- y lost as well.

Tuesday the CBI will make its own ssment of the Budget measures. Cur- ly it estimates that the economy is ing at 3%. Only if it is satisfied that ourse has been set for 4% will it ask its 200 biggest members—all those with over 5,000 employees—to sign the formal undertaking to keep price increases below 5% during the twelve months ending July, 1972.

Since it is only this extra growth which can compensate companies for the short-term damage to profits caused by the price-freeze, it has also been made clear that the CBI will monitor the growth rate during the 12 months and if it falls short of 4%, it will feel free to release companies from their undertaking.

A massive test-marketing has already shown that the CBI scheme commands genuine support in industry. The main argument used by CBI director-general Campbell Adamson has been this: that once the increase in retail prices had reached 10% a year, in line with the level of wage settlements, a "barrier" had been set up which could not be breached by gradual pressure.

Since discussions with the unions have *convinced the CBI that there is no chance* of a joint deal on wages and prices, an initiative by industry on prices alone seemed the only solution. The proposal does not depend on a favourable reaction from the unions, and Adamson does not expect much union response until after some months, when a sustained slow-down in prices has been clearly established.

After clearing the idea in outline with the Government Adamson and CBI president Sir John Partridge put the draft undertaking to a meeting of their 50 biggest companies—attended by chairman or managing director in every case but one—on Monday, July 5.

More than 40 of them expressed full support and readiness in principle to sign the document, while asking for changes in detail. Only two companies flatly rejected it—and one of those has since softened its attitude.

On July 6 the chairman of the nationalised Industries were called in: as they control the price of basic commodities such as steel, their backing is a condition of the whole deal and most of them promised support if they could get clearance from Government. The CBI hopes that this clearance will also be given early this week.

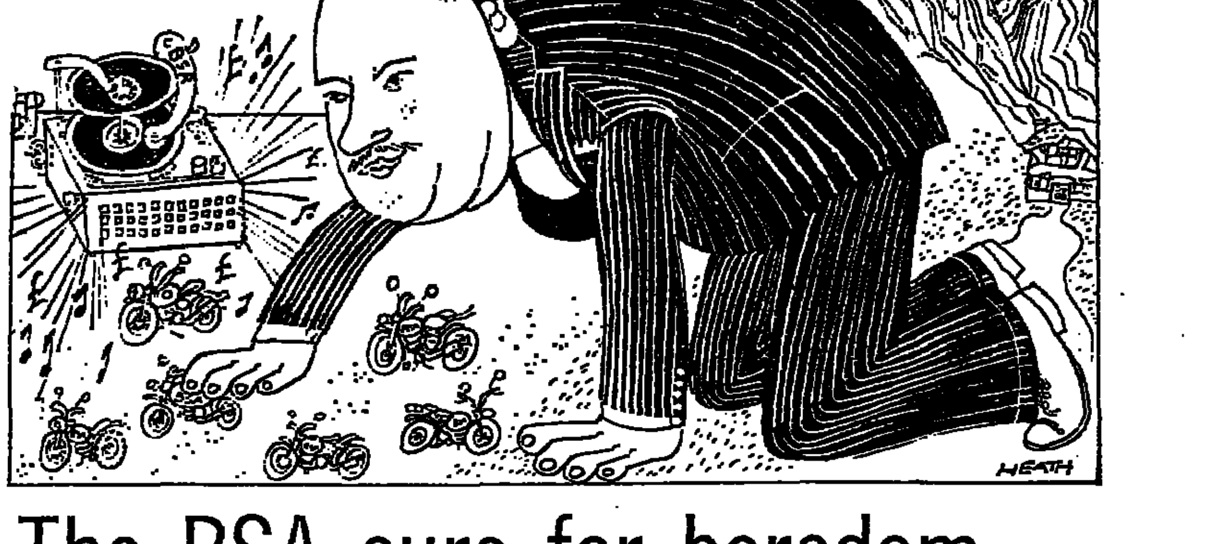
Later that week the CBI also saw the chairmen of its regional committees and main specialised committees, the chairmen of the clearing banks, and five of the country's biggest retailing chains, followed last week by discussions with the leading department stores and the specialist food retailing chains. Again full support was promised—except for reservations about dependence on world food prices. The support of the banks, who may be called to the aid of companies who suffer most from the squeeze, was regarded as a critical step.

Finally on Thursday last week the proposal was put to a council meeting of well over 200 CBI members, and on a show of hands received perhaps 85% support. As a result of these soundings Adamson claims that most of the 200 companies on his list have already been at least indirectly consulted and have shown a favourable reaction. A formal meeting with the 150 who missed the July 5 discussion has been called for late this week.

Arrangements to monitor the deal if it goes ahead have not been completely settled. But the principle is this. Chairmen promise to stabilise prices if they can, and in any case to limit them below 5%. If they feel compelled to go above 5% then they promise to consult with the CBI first.

Adamson assured me last week that the CBI will investigate the justification for increases over 5% very seriously and not rubber-stamp them. He also gave a specific promise that if any prices were seen to rise above 5% the CBI would, if asked, indicate whether the rises had its approval or amounted to a breach of the undertaking, so that the pressure of public opinion could be brought to bear where necessary.

The only general exception to the freeze will be where UK prices are substantially affected by uncontrollable rises in world market prices, particularly affecting food and metals such as copper. Companies will still, however, be expected to ensure that only the unavoidable minimum is passed on. A specific exception has also been made for the newspaper industry, both because of its present difficult economic state and because in practice it is not possible to raise newspaper prices by steps of as little as 3% or 4%.



The BSA cure for boredom

"OFFICIALLY," said Dr Daniel McDonald last week, "I'm an elderly gentleman who is in retirement." That is true enough; he will be 66 in September, lives for much of the year in Switzerland and is not permitted by the Swiss authorities to work in his adopted country. But he is by no means in retirement in any conventional sense. And to prove the point he emerged last week from his villa overlooking Lake Geneva to make a surprise £5.5 million bid for a majority stake in BSA, the famous but ailing motor cycle firm.

It was a move that caused more than the usual amount of interest; by last Thursday there were no less than 24 newspapers and magazines anxious to interview him. But the reason for the excitement lay not in the fact but in the circumstances of the bid. After all it is not every day that a self-made man stages a comeback on this scale at an age when most men would be content to watch the roses grow. Nor is it common for a private individual; no matter how wealthy, to be prepared to risk £5.5 million of his own money to rescue a company, no matter how famous. And the fact that Dr McDonald has another £14 million or so to spare is for the time being neither here nor there.

Obviously the first question is: Why? For McDonald has a great deal to lose and not much to gain. At the moment his reputation as a hard driving but immensely successful entrepreneur remains intact. Between 1951 when as a 45-year-old Glasgow-educated electronics engineer he first started the BSR Monarch record changer business and 1968 when he finally retired he built one of the most successful electronics businesses Britain has ever known. By first inventing and then exploiting his own record changer design he established a lead for the company which even the Japanese failed to crack. At one time BSR had no less than an 80% share of the mass produced record changer market.

Since leaving England McDonald has lived in some style. He has three homes, a luxurious villa on Lake Geneva, decorated with ornate hand painted panels in the eighteenth century mode—"I love everything about the eighteenth century"—a large estate in County Donegal where he grows barley and rears beef and a house in Bermuda. And when he is not dashing round Europe in his private jet, a £500,000 Hawker Siddeley 125 which he bought from his old company, he spends his time reading Proust in the original and walking by the lake.

But these contemplative pleasures plainly do not satisfy the restless Dr. McDonald who ever since his "retirement" has been itching to return to the fray. In the past two years he has bought a loss-making German vacuum cleaner factory which formerly belonged to BSR and he also supervises a small engineering company in East Kilbride. "Quite frankly I was bored," he says, "I wanted to do something bigger before I die." And at the moment, so his doctors say, he is in the best of health.

But why BSA? The answer contains an important clue to McDonald's complex character. Though he is a Highland Scot by birth, the fourth son of a grocer who became the provost of Fort William, his emotional roots are in the Midlands where he first set out, after qualifying in Glasgow with First Class honours as an electronic engineer and where he subsequently—"because I was bored"—studied for a medical degree, a qualification he has never used. "If BSA had been in Düsseldorf I wouldn't even have looked at it; nor would I if it had been in Manchester," he says. "But the fact that it is in Birmingham makes it interesting."

McDonald is a strange mixture of the gruff and the bluff. With his gold-rimmed glasses, balding head and deep set blue eyes he looks more like a family doctor than a multi millionaire. He professes no interest at all in the mechanics of money, he never reads the financial columns, ignores the stock market and says "I hate messing about with money." But the comparison does not stop there. He has the opinionated, somewhat choleric manner of the long-established provincial professional man. "I am," he says, "a man who is inclined to say what I think."

It is this characteristic that has earned him an unenviable reputation as a root and branch opponent of the trade unions. In 1967 he shut down two of his factories in Londonderry largely on the grounds that the unions were pressing for recognition and when the men asked for redundancy money their claims were resisted. Two years later, after McDonald had left for Switzerland the East Kilbride factory was shut for 12 weeks while the management resisted a union claim for recognition.

Is McDonald as anti-trade union as he is made out to be? "I'm not against trade unions provided they are working in the interests of the working man," he replied. "But who in their right mind," he added, "could say that they are." What then are the best interests of the working man? It was at this point Dr McDonald turned to John Bunyan for assistance. "People need a vision to work towards, a 'delectable mountain.' And they will only reach it if they are prepared to be disciplined. In my experience the more disciplined people are the happier they will be."

It was this lack of so-called discipline that was one of the reasons, apart from tax considerations, that led McDonald to leave Birmingham for Switzerland. "Is it nice," he asks, "to live in a country where the telephones don't work and people stand in queues for hours waiting for trains that don't arrive? Every time I opened my morning paper I used to get very angry." But how, we asked, did he think his workers regarded him? There was a long pause. "I think," he said at last, "that they looked on me as a leader."

Stephen Aris

26m offshore fund quits Britain

BY RICHARD MILNER

ITAL GROWTH FUND, an shore" mutual fund with ts of some $26 million at the count, plans to close down London head office. Current ations are to terminate the operation completely by ber 1, president Mr C. W. lpin told staff at his plush fair office above the Chase hattan Bank in Mount Street week. Deteriorating business itions had dictated this tic cutback, he reported. een 20 and 30 staff are be- d to be involved.

e operational base of Capital wth Fund, which is managed New Providence Securities, be located in Costa Rica the closure. New Providence ntly transferred its official icile from Nassau in the amas to San Jose in Costa for tax reasons, though the precise fiscal benefits of this switch were not detailed at the staff meeting on Thursday.

"It's an economy drive," McAlpin explained yesterday. "Obviously the fund is much smaller than it was two years ago. We're trying to cut down overheads and rents in London are very high. It's simply a question of consolidation." An indication of the effect of the Investors Overseas Services crash and other offshore mishaps is that in March 1969 the Capital Growth Fund was worth $63.6 millions.

Increasingly tight legislation in Europe, North America and elsewhere has undoubtedly cramped the style of "offshore" fund managers, whose appeal to international investors lay primarily in the low-tax or no-tax status of funds incorporated in such havens as the Bahamas, Curacao, Liechtenstein and Panama. The misfortunes of IOS, Gramco and REFA produced a backlash of repurchases that is forcing the middleweights to retrench.

New Providence Securities also has a Swiss office in Zurich at 26 Muhlebachstrasse and is now operating its computer records centre on a reduced staff. It has not yet been decided whether or not to close this down, too. "I haven't made a full decision on that," McAlpin said yesterday. "We are trying to work in with some other funds in a joint operation for the computer." Several funds had shown interest in the project, he added.

This suggests that New Providence Securities—or Capital Growth Securities as it is now known in London—is not the only middling fund management in a cash bind and may point to more offshore office closures.

National Savings now rising by £1 million a day

NATIONAL SAVINGS are now rising at a rate of £1 million per day. This is the implication of the June figures which show the total invested in all forms of National Savings had risen by the end of June to £8,872 million, £369 million more than the figure for June 1970.

The strong upward trend in savings throughout the early months of 1971 continued in June in the face of the usual seasonal spate of withdrawals to pay for summer holidays. Net new savings in the month were £6.1 million and accumulated interest brought this up to a £20 million rise in the savings total for the month. The tax-free Decimal Issue of savings certificates were chiefly responsible, bringing in a net £10.5 million even allowing for repayments of older issues.

This relatively high level of savings, coupled with heavy share buying, means that the Chancellor has to boost consumer income significantly tomorrow if he is to achieve much increase in actual consumer spending. However, if he is in a cautious mood he could still argue that the rise in savings is less than the current level of inflation.

Jersey picks probe chief

BY EDWARD OWEN, Guernsey, Saturday

JERSEY HAS chosen a 44-year-old London company law expert, David St Clair Morgan, to head its new commercial relations department—a mini "Board of Trade" which will have the task of reviewing the island's antiquated company legislation and devising a commercial code more suited to its present-day role as an offshore finance centre.

Cardiff-born Morgan, who was formerly head of legal services at Jordan and Sons, the London company registrars, and is now a partner in the London solicitors Amery Parkes & Company starts work in Jersey early in September.

His department will take over responsibilities that have increasingly strained the existing Government machine as Jersey's financial life has grown in size and sophistication. These will include checking on new companies and administering the Protection of Depositors law.

But Morgan's job is envisaged as much more than simply taking the load off other departments. His starting point will be a report commissioned last year from Cooper Brothers, which pointed out that Jersey's existing laws provide a quite inadequate framework to control the activities of financial institutions that between them hold over £400 million in local and overseas deposits.

Europe draws up pollution law

BY JOHN LAMBERT, Brussels, Saturday

A MASTER PLAN for Community-wide legislation against industrial pollution is due to be approved by the European Commission in Brussels next week. The framework has already been agreed and the object is to bring the new Euro-law into effect as soon as possible after Britain and the other three applicant countries join the Market in 1973.

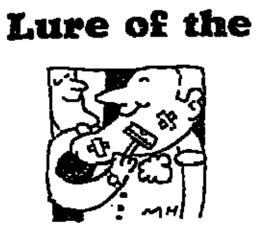
This proposal marks a new step forward in Community law making as up to now, with the exception of the Common Agricultural Policy, the Commission has preferred to operate within the context of national legislation. Britain and the other applicants have not yet been formally consulted about the new measures but there have already been what are described as "discreet and positive" contacts. Unofficially Britain is understood to have welcomed the Commission's initiative.

Before putting the final touches to the new legislation which will apply throughout the enlarged Community, the Commission plans to consult closely with industry in order to establish acceptable pollution limits. But after that each industrial product and/or process will be carefully crutinised and monitored and if they are found to be exceeding those limits the firms concerned will be prosecuted.

SHOP!

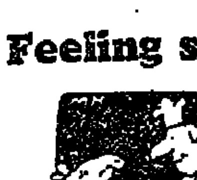
Edited by BRENDA JONES

Lure of the blade



Do you know the true reason why men shave? It's simply because they enjoy it. Or so Johnson Wax discovered when it started to look into the personal care market as part of a diversification programme. Using its experience with aerosols, the company went first for an aerosol deodorant, called US to emphasise its unisex appeal, which costs 39½p and 49½p. And you'll be glad to know that Johnson is giving sympathetic attention to ways of warming it up, so you won't jump so much when you spray it on to warm, after-bath skin. US deodorant is being followed by US herbal bath oil, at 50p, and more products are on their way. But you won't see a depilatory for man's stubble, which is theoretically possible. Women may like to get rid of hair with a simple cream, but Johnson's discovered that men actually like the ritual of a razor to start the day. Melting away the stuff would just make them feel sissy.

Feeling sheepish?



As beef prices continue to rise (and they will), lamb is going to become increasingly popular. With this in mind, a Surrey company keen to encourage lamb production to further the sales of its veterinary products has had an enterprising idea. It has imported for sale a splendid Australian book called "101 Ways to Cook a Sheep." The authors, novelist John Hay and his wife Barbara (she provided the recipes and he the syntax) have gathered recipes for lamb and mutton from sheep-eating people as far apart as the Caribbean and Uzbekistan. If anyone should know how to cook a sheep, it's surely the Australians. Available direct for 60p from Alfred Cox Ltd., Edward Road, Coulsdon, Surrey.

Look, no hammer

This new hanging shelf basket from the Prestige Group will be welcomed by everyone who finds that knocking in screws is likely to demolish the wall. It's made of heavy gauge steel wire coated in white plastic and just slides beneath an existing shelf. It would be useful in a kitchen, or garage or bedroom, measures 12in by 9¼in by 6in and costs 79p. If you can't find it locally, write for stockists to: The Prestige Group Ltd., 14-18 Holborn, London EC1.

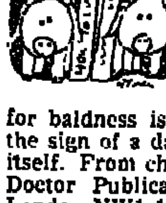
Clear sighted

SINCE THE eye is designed to adjust to light intensity, there is usually no need for sunglasses even on bright summer days. But reflected glare, from white sand, pale rock or water, or snow can induce headaches and lead to permanent eye damage. And for protection against these conditions you need polarised sunglasses. Many people are put off polarised glasses by the cost, but there is more than one manufacturer in the field, and if you're not over-fussy about the design, you can find quite cheap ones. Bartex, for example, offer polarised sunglasses in simple tortoiseshell frames for £1 a pair, at chemists, Boots and Littlewoods. They give better protection than tinted glasses, but there is one snag: polarised glasses may distort your vision if you are driving behind certain types of shatter-proof car windscreen.

More about milk

AFTER LAST week's gloom, better news about powdered babymilk. A number of private chemists have written to say they will not be raising the price of Cow & Gate and Ostermilk by the full recommended increase, to 30p for 16oz. So it's obviously worth shopping around. And Mothercare have promised to hold the price of their powdered babymilk at 22p for 16oz until February 1, 1972. You can get it at any branch of Mothercare or by post from Mothercare Ltd., Cherry Tree Road, Watford WD2 5SH. But best value of all still seems to be National Dried Milk, available at clinics for children up to five years old. That costs only 20p for a 20oz pack.

Improving books



TWO useful new booklets have come out recently. One, called Your Skin and the Body Beautiful, is published by the BMA and is full of sensible, if sometimes devastating information about skin, hair and nails—that the only cure for baldness is castration, that a sun-tan is the sign of a damaged skin trying to protect itself. From chemists at 10p or from Family Doctor Publications, 47-51 Chalton Street, London NW1 1HT at 14p.

The other is called How to Cut your Post Office Costs. This has culled the 660 pages of the post office guide for money-saving hints and has discovered that it is cheaper to split a parcel up into a couple of smaller ones if it is going first class, but cheaper to send it as one big parcel if it is second class: cheaper to phone STD in the afternoon than in the morning, sensible to use second-class mail on Fridays. With postal charges due to rise again this year, the booklet is well-timed. It is published by Editype Ltd. and costs 20p, or 23p direct from Editype Ltd., 169-173 Dyke Road, Hove, Sussex, BN3 1TY.

Starting today—a weekly guide to help you buy a share in Europe

EUROSHARE

Siemens AG (Germany)

Price of DM 50 shares: £25¼; Dividend: 16%; Yield: 3.7%; Earnings per share: 19.9%; Number of employees: 301,000; Year ends September 30.

	Price high	Price low	Consolidated sales £m	Net profit £m	Dividend %
1967	£31¼	£19¾	762	18.9	16
1968	£41	£31½	868	33.2	16
1969	£35¼	£30¼	938	29.0	16
1970	£30¼	£27½	1,140	41.0*	16

* see text

SIEMENS is one of the great and ostensibly highly successful European companies—a proud example of the German economic miracle, whose tentacles stretch across virtually every continent and electrical *product from* heavy power engineering and telephone equipment to computers and domestic appliances.

But British investors should be wary of blindly putting their money into Europe's blue-chip growth companies. While sales have marched ahead at perhaps 15% a year, profits have probably not kept pace. After nine months of its current year Siemens has just forecast another 16% sales jump but profits only slightly up. It is hard to make meaningful profit comparisons because a number of activities have been hived off into joint companies (with Philips in Deutsche Grammophon for example) and the bases of consolidation have *changed radically.* (Hence although profits appear to have risen *sharply* last year on consolidation the parent company's net profit fell by 18%.)

What we can be sure of is that the management does not seem to put earnings per share first and the dividend has been pegged at 16% for 11 years. Instead the extra profit has been taken up by successive increases in share capital. Now some of these have an element of the scrip issue of shares about them. For instance a one-for-seven issue announced *in April was made at £11⅛, well* under half the market price. But however you calculate it, the returns to shareholders have been pretty stagnant.

Once the management under chief executive Dr Gerd Tacke becomes more conscious of public shareholdings this could change, because its performance at an operating level has the *envy of many. The group has, for* instance, developed its power engineering side (31% of sales) to vie with the American gi[...] in worldwide export markets *is a world leader in tele[...]* munications equipment (21[...] sales). In these markets i[...] much stronger than the inevit[...] comparison GEC.

Like GEC, *it can be ruthle[...]* acting quickly on unwelc[...] realities. Unprofitable pro[...] lines are chopped. Now, [...]scious of the rapid rise in Ger[...] wages *and the effects of rev[...]*tion on export prices, the g[...] is cutting back at home [...] expanding production over[...] But Siemens is still much r[...] geared to the idea of ma[...] "everything" electrical than [...] new GEC and as a result G[...] net return on sales is now [...] above Siemens. On the fac[...] it Siemens' shares look che[...] than GEC's. The yield is [...] against 2.2% and if you cor[...] date the bits and pieces, earn[...] cover is about the same. [...] there must be some hopes [...] higher dividend payment [...] year, to celebrate the Mu[...] based giant's 125th birth[...] But even so, with the cost o[...] dollar premium still offse[...] *any gains, most investors* [...] not feel deprived without [...] Euroshare.

New grafts on Lloyd's family tree

Michael Lloyd: mergers on the way?

ENGINEERING SHARES such as F H Lloyd are generally left to specialist professional investors. They can pick their way through the minefields of a cyclical or declining heavy industry, poor labour relations and low productivity and profits caught between low margins and spectacular bankruptcies like Rolls-Royce.

The extent to which the little-known steel-founder of Wednesbury in the heart of the Midlands has circumvented these problems, is not widely appreciated. Institutions in the know, however, have been tucking away the shares, which explains why Lloyd shares have come up some 17p in a matter of weeks to stand at a 1971 high of 65p. Lloyd still has its attractions at this price, and indvidual investors should find plenty to go for in a reasonably safe yield of 7.7%.

The profit record highlights F. H. Lloyd's success in getting on top of some pretty severe problems in its main industrial markets. After a disastrous collapse in profit margins in 1965 and 1966 F. H. Lloyd has been getting away from its dependence on the static foundry business. In consequence earnings per share have gone up a creditable 50% in the past four years. Last year pre-tax profits should have reached the £2 million mark, but the impact of Rolls-Royce's collapse held back the actual result to only a tiny advance on the £1.8 million made the previous year. But this time the £2 million-plus profit target should be reasonably safe and with it the dividend prospects.

Last year the group had to contend with a recession hitting the steel foundry business yet managed a profit rise. This was even more surprising because F. H. Lloyd supplies 30% of the UK market, has the largest steel foundry in Europe, and £1.3 million, or 57% of trading profit, still came from castings last year. The fact that this profit was only slightly lower than the previous year was an equally creditable performance. Lloyd dominates production of large castings.

Michael Lloyd, who took over from his brother as chairman and chief executive last September, admits that economics are moving against really large castings, to fabrication instead. While at the smaller castings level competition is very much fiercer for a declining tonnage of components for motor cars, commercial vehicles and heavy equipment (F. H. Lloyd's most important market). The only founding market which is showing reasonable growth is the special hard-wearing SG iron castings and centrifugally cast tubes where BSC with 80% of the market competes with Lloyd. F. H. Lloyd's specialisation and heavy reinvestment *in special machining and* testing equipment has protected it somewhat from the sector's decline, and from inflation where labour accounts for up to 40% of costs, *according to research by* brokers Powell Dawes. Prices have been raised four times in the past 18 months.

At least one diversification move, buying the quarry machinery division of Armstrong Whitworth which has been moved down to a revamped subsidiary in Pontypridd, South Wales, has also increased the load on the foundries. Continuing reinvestment, of the order of £1 million a year on a present capital employed of about £19 million, has enabled the group to build up into profitability its non-foundry interests in time to cope with the fall-off in the steel castings. Steel forging of small components has been an unprofitable sideline for years, but the loss makers have been eliminated and the remaining company turned round into profits last year,

Lloyd's engineering companies are currently building on a long established marine business making things like anchor chain, and recently the loss-making Old Park Co. fabrication business was acquired from Tube Investments. This should be making profits this year. Examples of the specialisation Lloyd has built up is a nice business supplying auxiliary stand-by boilers for ships, a steady stream of which are exported to Japan. But the most important diversification in profit terms has been in steel re-rolling where the John Bagnall subsidiary increased its profits 50% last year to £600,000. Re-rolling where the John Bagnall largely to BSC pricing policy, but Lloyd has modernised—with a large new re-rolling plant due on stream in 18 months time.

Michael Lloyd came in to the family company after 25 years heading a special steel tubes business for Tube Investments. The Lloyds are a widespread family having such institutions as Lloyds Bank and the old Stewarts and Lloyds steel works as part of the family tree. What happens to F. H. Lloyd now is the subject of a deep study which would have been totally out of place in old FH's family drawing room. On the board is Professor Roland Smith of the Manch[...] School of Business Studies, w[...] recent courses have done a [...] deal for F. H. Lloyd Co.'s e[...]tive strength. In addition [...] professor and his students [...] made a great deal of us[...] F. H. Lloyd as case [...] material. The upshot i[...] *thorough-going* review [...] company's strategy.

So far as I have been ab[...] find out, this highly secret s[...] includes at some stage this [...] refinancing the tight liquid[...]tion. The high rate of in[...]ment has left overdrafts r[...] high and while finance c[...]troller Dennis Carrier tells [...] there is no strain needing u[...] relief I think Lloyd would li[...] be a little more comfortable [...] its friendly "family" [...] manager. The plan then indi[...] that F. H. Lloyd needs to [...] another, but bigger take-ov[...] it is to grow quickly from [...] present £35 *million* sales [...] From what Michael Lloyd [...] told me earlier I think it [...] to guess that this would [...] Lloyd much further [...] engineering fabrication. [...] possibly an even more [...] contingency could arise from [...]siders interest in the group. [...] could involve foundry [...]petitors like Weir Group or [...] Wrightson, or even more [...] the similarly-sized steel-engi[...]ing George Cohen 600 Grou[...]

Casting may be being re[...] in importance but the group [...] has the problem of what str[...] to adopt to the sale of the [...] steel foundry activities, acc[...]ing for some 7% of the ma[...] Lloyd's apparent lack of int[...] could change if a compe[...] were likely to pick them u[...]

"All the European fou[...] including the British [...] exchanged cost data for year[...] it is apparent that we are a[...] the most efficient." This is [...] due to the advantage we [...] at the moment in that steel [...] (which is remelted by [...] founders as raw material) is [...] at an artificially low price by [...] and expected to rocket whe[...] enter the EEC. Despite the [...]rent 30% wage claim Mi[...] Lloyd thinks that we are kee[...] *our advantages on going in[...]* market demanding a much [...] range of cast components [...]vestors wise to the risks an[...] coming changes can affor[...] *share Lloyd's sanguine* vie[...] the future with the shares at [...] current level.

James Po[...]

Laughing most of the way to the bank

… SHARES are still a …erful bet to lead a buoyant … market. With expansion … e way that may not sound … nding but it surprises me. … I cried alone in the wilder… hat the giant clearing banks … cheap 13 months ago, they … gone up around 80%. Since … acked merchant banks in … they have rocketed up by a … They are not going to do … again in a hurry. But two … last week will help.

… it came Barclays with a … rise in earnings for the … year against all the odds. … st rates were falling and … anks were apparently find… quite hard to lend money. … are however, as I have … noted, getting better at … g profits and the impending … es to freer competition will … help them. I do not expect … he other clearers to do … as well as Barclays this … But then with price earn… ratios averaging under 12 … t a market average of … 18 they do not have to.

… second shock came when … owring family, those giants … insurance broking business, … a convincing demonstration … ir faith in the future of the … merchant bank. They bid … share for Singer & Fried… which was 65p ahead of … arket price, already half ex… g a take-over.

The secret is that Singer has come clean on its true figures. They show profits up 50% on the formally "disclosed" figure at £1.3 million on true assets of £10 million against £6.7 million in the balance sheet. So Bowring is paying 19 times true earnings. Singer earns 1.4% on total funds employed compared with 1.3% for Lazards and 1.0% for Leopold Joseph which both temporarily gave true figures for prospectus purposes.

So we have two ways of estimating for the other banks where the figures remain hidden. Allowing for the earnings discount Hill Samuel would be selling at 15½ times 1970 earnings, but on an average rate of return of funds they should be very much cheaper. Montagu Trust is probably selling around 17.5 times earnings, not excessive for a company that has shown a 19% growth rate in earnings per share. And even after a spectacular rise to 182p, Warburg parent Mercury Securities is selling at under 15 times 1969-70 earnings. Last year's figures are to come.

But the underlying differences between merchant banks are going to be much sharper in the new world of competition opened up by the Bank of England (on deposits) and entry into Europe (on services). Significantly, Philip Shelbourne, the clever merchant banker who sits on Bowring's board, steered Bowring away from its original quarry Brown Shipley, which is more of a pure UK banking operation.

Singer is strong in company finance, investment management and has specialised successfully in short-term Euro-dollar money markets. The Bank of England's dictates hit deposit merchant banking by introducing competition from the clearers and exacting more onerous reserve ratios. They favour the service specialists. And Tuesday's report on the City and the EEC from the Committee on Invisible Exports will show that fee earners and international money specialists in London should come off best from entry. If Singer looks good on those measures, Warburg's, which makes a high proportion of profits from fees and commissions and earns an exceptionally high return on funds, looks best of all. Which makes parent Mercury the favourite.

Beefed-up bid

THE BOVRIL bid launched by Cavenham foods over three weeks ago is far from home and dry. The best in its favour is that no real sniff of a counter-bidder has appeared. But "I would be the last person to know of a counter-bid" was Jimmy Goldsmiths plaintive complaint last week as the full terms of the offer were sent out with Cavenham's annual report. A week ago the market was agog with rumours that Beechams would buy Bovril, since killed by the company.

Then there has been the strange affair of the Rowntree pension trust fund which quietly bought itself some 11% of the Bovril equity some time ago and is possibly hoping to force a beefed-up offer. Again, Rowntree is keeping mum but privately is saying that the acquisition is a fund, not a company matter. That leaves Imperial Tobacco, the Golden Wonder foods group (remember Bovril flavoured crisps). Imps is not ruled out but might not be able to afford another troubled foods acquisition before getting the last lot right first. Yet although the shares are above Cavenham's offer terms, shareholders should be ready to accept if no other contender appears.

Burnholme's quote

BEST NEWS for Burnholme and Forder shareholders is that requotation of their shares is at least a reasonable certainty if they go along with the reconstruction proposed by the new directors at next Friday's meeting. Without passing any judgment about the desirability or otherwise of what has happened shareholders have little practical alternative but to vote for the resolutions, as we pointed out last week. Dealings would then restart the following Wednesday.

Under Tim Holland and his associated new directors, B & F will retain only a shell of its former transport interests. Shareholders will thus have some difficulty at first in placing a value on the residual interests and on the new companies being injected by the new directors.

On profits grounds it is possible to be reasonably specific for the year ending August 31 next. Profits of £120,000 are forecast, after management expenses have been met from sales of some subsidiaries to the old directors. This would provide earnings per share of 1.7p, and that is expected to double next year. This compares with earnings per share of 3.6p, for the last full year under the old board. After that the transport business started to go wrong—70% down by the half-way stage in February.

Each shareholder has to make a decision whether he will stay with this new management team. The Premac and Keland acquisitions may have some speculative appeal. Keland in particular claims a unique supply agreement for a new important telephone component. But the risks are high. The shares could well fall initially below 17p, a P/E rating of 10 on this year's profits (though only 5 on next year's forecast). The previous low for 1971 was 21p. So it could be some time before the market recovers.

Tangled Woolies

THE DEPRESSING thing about Woolworth's half-time results is not so much the £1.8 million fall in profit to £11.9 million—this was bound to happen in the battle to rejuvenate the overweight giant—but that after two years of battle we have not yet seen the end of the beginning. The idea was to get sales moving again, then bring margins back up and get profits growing. Instead, sales rose by only £1 million. GUS did better than that even when its mail order business was paralysed by the postal strike—and its profits went up. Woolworth is doing a lot of the right things.

Perhaps it is doing too many marketing things at the same time without knowing exactly where its image or its middle management will end up. With Woolworth's US parent firmly in control, there is not much to be done as the group's exceedingly accurate critic Walter Shaw found. Time may offer reward, but even at 75p, where the PE is just over 14, there are probably quicker ways of making money.

Time to buy . . .

Lec Refrigeration

Buying price: 56½p; 1971 high: 58½p low: 31; yield: 5.9%: P/E ratio: 13.1; latest profit: £276,418.

Hoover

Buying price: 435p; 1971 high: 435p: low: 255p; yield 2.9%; P/E ratio: 16.8; latest profit: £8,556,000.

TOMORROW'S mini-Budget must provide a boost both to consumer spending and industrial investment if it is to satisfy the CBI—and the stock market. But most share prices already discount the effects. It is salutary to note that The Times Industrial Index, probably the best indicator of the general level of stock prices, is within 2½% of its dizzy peak of January 1969. Shares were then too high and while factors like tax, have changed radically for the better, the business outlook is still not all roses.

One area that has still to reflect its share price promise is domestic appliances. These were booked for a good year in 1971 and it certainly started well. Sales have been sluggish in the past few weeks, but it is quite reasonable to blame this on widespread expectations of price cuts rather than recession. For that reason I would certainly not at this stage be selling shares of retailer Currys, the successful Time to Buy feature that dipped back early last week on the subsidence of somewhat irrelevant bid hopes. I also like two manufacturers: giant Hoover and the potentially more profitable but more risky Lec Refrigeration. In the longer term neither looks particularly vulnerable to EEC entry.

The better buy just now is Lec. It has a steady business through electricity salesrooms, a price advantage over its competitors, and in the first five months of this year, sales soared ahead 16.8% to £2.9 million. Selling fridges is cyclical business, and Lec's 1970 profit was down £39,000 on the precious year. That, coupled with Lec's relative smallness—market capitalisation is £2.28 million—accounts for the good yield and the slack P/E ratio. If Barber adds fuel to the bright sales record this year, Lec is solidly set to outperform its rivals.

In the bigger league, Hoover managed a spectacular sales hike in the first three months of this year, from £13.8 million to £18.5 million. True, last year's figure was depressed by production losses during strikes at Merthyr Tydfil. But this year's figures were hardly helped by the postal strike which made dealings with smaller retailers difficult. Profits, too, rose sharply, and improved home demand should be reflected in better earnings. Despite the bulling of enthusiastic brokers, Hoover is far from its peak.

…imber company topples …fter boardroom storm

…U HOLD shares in Stephen… …evelopments, the Hudders… …imber buildings and holiday … firm, you have until Tues… … decide whether you want … e all your money—or only … of it. The Austin-Hall bid, … r-minded by First National … ce director Terry Marr, … Stephenson's ordinary … at 1.85p, against a market … of 2p. But back in 1968, … bullish brokers predicted … ntial growth for Stephen… shares sold at 20p, valuing … m at £1.27 million.

… bid is inevitable, if share… s are to recover anything … the disaster area which … enson has become. Chair… Kenneth Scott, of Stephen… arns: "We could certainly … on—but only if we were … ncerned with the possibility … recall of any debt." Since … -Hall has neatly bought … almost £500,000 worth of … enson debts from United … ion Trust, the largest single … or, a failed bid could mean … dden demand for half-a… n. Stephenson, already well … 1 million in the red, has no … of raising that.

… tin-Hall has irrevocable … ances for 22% of the … and should win. What … holders ought to ask is how … licly-quoted company with … e of good products can turn … ckly from a £180,000 profit … 7-68 to a thumping £205,000 … 1969-70, and find itself on … erge of insolvency.

… t of the answer lies in … g conditions—harsh credit … tions limited sales of … nson's timber huts. Just … much Stephenson lost on … wood buildings and made … ring them is hidden by a … e sheet quirk—turnover … s for the two activities are … te, profits consolidated.

… key to the problems was … eliance on short-term finance without the cash flow to repay both interest and capital. Confidence crashed with the boardroom rumpus of June 1969, when founder Leonard Stephenson finally lost control to Kenneth Scott, a local solicitor, and Max Britz, the long-standing deputy chairman and a London chartered accountant. Scott's case against Stephenson was that accountants had been asked to investigate the firm's finances and valuers asked to examine how much the holiday camps were worth. Scott alleged that the Board had authorised neither move.

In fact, Stephenson had been warned in October 1968 that its bankers were unwilling to tolerate the way its account was run. Standing orders went unpaid for lack of funds. By March 1969, the bank was "absolutely astounded" to find the company £43,000 over its borrowing limit. Two days later a £6,000 cheque bounced, and standing orders for more than £10,000 were withheld. Debits beat credits to the bank. In June, Julian Hodge in Cardiff was demanding repayment of an £8,500 debt "by return."

The process of selling the holiday camp sites—their development potential is minimal—proved difficult; possible buyers scented a forced sale. To add to Stephenson's difficulties, the personality clashes within the firm spread to sales force and works supervisors; the Huddersfield factory was running at a mere 60% of its capacity.

Balance sheets did not reflect how bad the problems were. Shareholders are the ultimate losers—last week the workforce was reassured that jobs would still be waiting when the annual two-week factory holiday is over. And shareholders ought to learn this lesson—look hard at dissension inside a company, and just how a firm raises its money.

Michael Pye

…ARKETMETER

	Bidder	Bid price values co at £m	Bid price per share	Price now
	Cavenham	£9.7	310p	324p
	Vision Ent.	£9.25	55p	54½p
	Trafalgar	£26.	194p	192p
…ers	Utd. Drapery	£10.5	210p	215p
	S. Pearson	£37.15	371½p	353p
… Friedlander	C. T. Bowring	£25	228½p	228p
	Watneys	£44.0	402p	
	Grand Met.	£44.0	404p	411p

…ARES soared last week as … on Market hopes, prospects … reflationary package and … ver fever carried all be… them. The Times index … d an enormous 9.58 points … week to 168.64. The chart … biggest outstanding bids … reminder of the frenzied … t action as £160 million of … nies change hands. Where … d offers alternative pack… ve have listed the lowest … Most welcome of the week … Dr Daniel McDonald's … cash offer for 50-60% of … The existing management … Eric Turner is intelligent, … aware but unsuccessful and … be ripe for a change. But … ike both board and bidder, … the accountants' report.

… e is also no hurry to do … ng on Cunard. Silence from … ard has already brought a … bid, but in the end there … excuse for retaining inde… nce. At Trumans share… should again wait as … Metropolitan (7% plus … support from Whitbread) … atney (about 26% but un… buy up shares. Do not sell … the market price gets near

…ST NATIONAL FINANCE …RATION is, I gather, now … early stage of negotiations … he residual Spey Invest… legatees with a view to … ing most of the pension … private empire—an inter… ambition. Meanwhile, hav… ght 45% of the now inaptly … Direct Spanish Telegraph … ny from Cable and Wire… is bidding for the rest. … quisition may well be used … d up Scottish International … nent Trust, which, as I … last week, should attract … ention of investors as it … First National.

● **BRITANNIC ASSURANCE,** the £53 million Birmingham-based industrial life assurance group, saw its shares move up smartly by 23p to 275p as a discreet buyer in a narrow market became more aggressive. Thoughts of a recent laudatory broker's report that Jim Slater wanted to build up an insurance business "like the Prudential" inevitably found a link. More to the point is Britannic's impending half-yearly report and dividend.

● **ON WALL STREET** a disappointing second quarter profit report from IBM, the keystone of the US stock market's growth sector, sent prices tumbling last week. The Dow Jones index fell 13.29 points to 888.51, but IBM tumbled 21½ points, or 6.8%, to 294¼. Actually, IBM's total net profits climbed $3 million to $255 million but earnings per share stayed still. IBM is still doing well for a recession but to many this suggests the much-heralded economic recovery might be farther in the future than the Nixon economists have been predicting.

● **WHARF HOLDINGS** has come up trumps for those who followed my strong recommendation last December ("Hay's Wharf: why not tie up next door") at 130p. On Friday, Jeffrey Sterling's Sterling Guarantee Trust, which has a good eye for a property, bought 32% of the company at prices between 200-210p and will be making a bid of at least that much for the rest.

● **STYLO SHOES,** that ever-promising but never-materialising take-over prospect, is being stalked again. There have been several rumours since the abortive skirmish with Bovis. Latest is that Cornwall Property will make an equity offer.

Now you see them, now you don't— it's the company quick-change act

EVERY YEAR thousands of new companies are formed in Great Britain and thousands more are struck off the official register for reasons ranging from actual bankruptcy to statutory idleness. Even the Department of Trade and Industry finds it hard to keep up to date, though its 1969 figures list 25,154 companies formed and 25,637 struck off. But many of these 25,154 newcomers were only "new" in a legal sense, being essentially substitutes for others struck off. By working new companies with old business names or vice versa, many businessmen have developed a kind of perpetual commercial motion that enables them to shrug off debts more or less at will.

To show how this cheap, but costly system works and why it should be controlled, here are three specific examples:

The first concerns Vendaid Ltd., a West Bromwich vending machine concern set up in 1965 and 86% controlled by a Mr and Mrs Geoffrey Gough. (Its nominal capital has been increased from £1,000 to £11,000, but the actual paid-up capital has remained a modest £100.) Conal-Robertson of Bedlington, Northumberland, supplied Vendaid with £4,075 worth of vending machines on a "cash against invoice" basis on September 3 last. It did not get its cash, despite several reminders. On October 22, Gough was contacted by telephone and confirmed that National Provincial Bank had put in a Receiver on September 30.

In the circumstances, Conal-Robertson's managing director Alan Robertson was surprised to receive a letter from Geoffrey Gough of Vendaid at the end of November that began reassuringly: "As you are probably aware, this company has been in some difficulties due to various internal problems. To overcome these, a new company will shortly take over the activities of Vendaid Ltd., Vendaid (Solegate) Ltd., and operate from Oldbury Road, West Bromwich, with the same staff. . . . A programme of National Advertising will commence shortly and of course we will be exhibiting at Vending '71 in January."

Alan Robertson was less than totally reassured by this missive, particularly when Receiver Ronald Bendall downgraded his estimate of his likely debt repayment from 50p in the £1 to a nominal sum. Robertson then took the matter up with his MP, Edward Milne. Milne passed it on to Nicholas Ridley, MP, at the Department of Trade and Industry, who replied (perfectly correctly) on June 14: "The documents appear to emanate from Solegate Ltd. trading under the registered trade name of Vendaid. Prima facie there is nothing unlawful about this, even though the business name may resemble that of another company in respect of which a Receiver has been appointed."

Ridley was, in fact, rather more precise than Gough over the new company's name, for the DTI had apparently baulked at registering Vendaid (Solegate) when there were already three associated companies, Vendaid Supplies, Vendaid Automatic Caterers and Vendaid Engineering in existence. The Receiver had several inquiries when he first attempted to sell Vendaid Ltd. as a going concern. Everyone backed off except Gough and his colleagues who, in return for "covering" National Provincial's £13,750 debenture, were thus able to shuck off the other debts of the old company and preserve their jobs.

A rather more complex story lies behind Marksman Associates of Windsor, which advertised on June 13: "The restructuring of our Practice into a Partnership offers the unusual opportunity to accept two or three new partners . . . Successful applicants will probably be in their forties; accustomed to earning £4,000 per annum plus." As the would-be partners learned at their interviews, they would also have to inject £2,000 cash into the business and (in addition to a basic salary) would receive 10% or 20% commission on their billings.

To assert that Marksman Associates was being "restructured" was something of an understatement. What had actually happened was this: Ivan Williams was running a £100 company called Management (Audit) Ltd., no connection with the similarly named Independent Management Audits, in 60-40 partnership with one Richard Sambrook.

To enable Management (Audit) to exploit its own "venture capital" situations, two new companies were established. In October 1969, Management Audit Investments was set up: it had a capital of £111,250 with Management (Audit) holding all but two of the 5,000 £1 "A" shares. Then Bank House Industrial Finance, taking its name from the Old Bank House in Windsor, was established as a loan company in February 1970 with a capital of £5,000. Unfortunately, these brainchildren soon swallowed up their own capital and their parent. On April Fool's Day this year, Management (Audit) was wound up on the petition of a Mr Colin Denham-Davis, and Bank House went into voluntary liquidation. On April 26, Management Audit Investments followed suit.

Eight days after Management (Audit) had been petitioned out of existence, however, Ivan Williams registered Marksman Associates as a business name, under the aegis of a "private" consultancy he owned 60-40 with Harry Reiss called Market Protraction Ltd. Subsequently, on June 4, a new company, Marksman Management Consultants, has been registered with most of the capital due to be subscribed by Williams, Reiss and Denham-Davis.

No capital has actually been subscribed to Marksman Management Consultants Ltd. yet. But Trevor Garbett, another new Marksman, explains that the idea is to transform the business name Marksman Associates (soon to be attached to MMC and not Market Protraction) into a kind of partnership, and that the £2,000 stake monies will be, so-to-speak, investments in this partnership. "It's absolutely straight and honest," he asserts. It may well be just that. Nevertheless, the notion of investing in a business name currently being shuffled between two associated limited companies is, to put it mildly, somewhat unorthodox.

Magic Larder is another extraordinarily resilient operation. Canadian entrepreneur David Kaplan, after an unfortunate experience with his Stirling Moss Paint-a-Car and Protect-a-Car franchise schemes, launched the Magic Larder Plan home freezer business towards the end of 1969 under the corporate mantle of Dominion Provisioners Ltd. and Dominion Foods Ltd. Marketing was handled by Glenn MacMahon via International Salesmasters, otherwise known as Anglo-Canadian Steelwares Ltd. Finance was provided by Bremms Finance, an associate of the encyclopaedia-publishing Grolier Society.

Housewives were persuaded to pay up to £220 cash or more than £300 by instalments for £80 freezers as part of freezer-and-food package claimed to cut their food bills by as much as 33⅓%. Kaplan ran up a turnover of around £1½ million a year, then Dominion Provisioners and Dominion Foods crashed (as reported exclusively in Business News on April 4) with an estimated creditors' deficiency of some £370,000. Hawbrook Investment Co., run by Anthony Goldstone and David Harrison, offered to buy out DP creditors for 17½p in the £1 and DF creditors for 22½p. It was turned down.

Apart from hurting creditors (latest reports suggest that the final deficiency could be well over £400,000), this Kaplan crash had two repercussions. First, householders began to receive similar "package deal" propositions from ABC Foods—described as a division of the Grolier Society. Second, another new outfit started promoting the Kitchen Queen Food Plan from London premises at 32 Crawford Street. And Kitchen Queen turns out, oddly enough, to have connections with none other than (don't tell me you've guessed already) David Kaplan.

Located by a representative of a Dominion Provisioners' creditor at the Crawford Street premises, Kaplan insisted that he was not a director of Kitchen Queen, but just a "consultant." This may well be the case, for Kitchen Queen has no official directors. It is simply a brand new (May 5) business name attached to a previously dormant concern, Magic Larder Ltd. a £100 company registered back in July 1969 with a paid-up capital of just £2. No return of directors has been lodged for Magic Larder Ltd. either, and the Registrar has threatened to have it struck off.

Such situations, where company operators can cut their losses, fork out £26 or so for a new company and come back smiling with little or no indication of their previous collapse, cannot be allowed to continue. At the very least, the Department of Trade and Industry should enforce the present rules to ensure that "anonymous" £2 outfits are not allowed to trade. But to alert too-trusting suppliers, and customers, companies that re-form after a crash under substantially the same management should legally be obliged to trade as ABC (Successors) or XYZ (1971) to give some indication of past form.

Richard Milner

Frank Herrmann

Yoneo Watanabe, getting a little more for the brown ones

Cracking the egg market

By GRAHAM ROSE

THE LAST place you might expect to find a Cambridge MA (with an MBE, too), is selling eggs from a stall in Broadway covered market at Tooting, South London. Yet Yoneo Watanabe, once one of the best poultry breeders in the world, has started a new business at 60 to prove that small-scale egg production can still be profitable. At a time when poultrymen are going out of business at the rate of 6,000 a year, that is quite a test.

Watanabe began in the poultry business when he left Magdalene College in 1922 and fancied an outdoor life. He was taken on as a paying pupil on a poultry farm in Sussex, learnt fast and had a farm of his own within two years. As a breeder he became internationally successful, but was hit by the computer revolution in the 1960s which made breeding no longer a matter of experience, but a science involving millions of genetic calculations only a computer could handle. Unable to afford a computer, Watanabe decided to abandon breeding and go in for egg production.

The ferocity of the battle for the egg market being waged by the giant producers is shown by the fact that despite a 15% rise in the cost of poultry food over the past year, the price of eggs has not changed. But Watanabe decided to prove that there is still a place for the small man.

He has concentrated on three factors: a 6,000 hen unit in the best modern housing available, "big enough to provide many of the advantages of scale, but small enough to be run by a few people paying attention to all aspects of the business"; a specialist product, the brown egg, which housewives will pay more for; and the development of a really effective retail market.

To bypass the wholesalers, who handle most eggs and take a share of the profit, Watanabe took a small, but prominent stall in Broadway market.

"At least 50,000 people pass through the market every week," he points out, "and they buy just about all the eggs we produce." The result is that Watanabe nets 6p per dozen more for his eggs than the average producer. And offers a lesson that could be of great significance in the egg war.

French hold on to low taxes

By MALCOLM CRAWFORD

THE ATTEMPT by France to introduce Pay As You Earn, as part of its current long-term programme of tax reform, has failed. So Giscard d'Estaing's Ministry of Finance, attempting to salvage something from the wreckage, is introducing a voluntary tax-deduction scheme, to operate through French banks.

The PAYE scheme was opposed both by unions and employers organisations, on various grounds. But these boiled down mainly to the fear that once a system of easy payments was put in operation, the tax load might be gradually increased to levels much higher than it is now. At present, Frenchmen pay a lower proportion of their incomes in direct personal taxation than do people in any of the other countries of the projected 10-member European Common Market, except for Italians—who also lack PAYE.

The scheme for voluntary deductions would permit taxpayers to have tax deducted at source, and paid by standing order into a Government account at a bank. This is meant to appeal to people as a way of spreading their tax payments, so they are not confronted with a big tax bill all at once.

The Frenchman, eager to pay tax regularly, cannot do this now because there is no administrative set-up for determining how much should be paid each month. A system for notifying provisional assessments is being worked out, which will enable pay offices to know how much to deduct from the pay of anyone who wants his tax remitted with each wage or salary payment.

No stampede of applications is understood to be officially expected.

British Steel and Europe

Letter to the Editor

RECENTLY I wrote an art for The Guardian on the impl tions for the British Steel (poration of membership of European Coal and Steel C munity. In The Sunday Times July 4 Mr Peter Wilsher (cribed it as "purporting to pr (as it turned out, quite fals that Europe would only acc the UK if the British S Corporation was cut in half

Mr. Wilsher cannot have r the article or he would not h written anything so tot inaccurate. In it I summed the current situation as follo "ECSC would be content for present with an indefinite p ponement of BSC expan and a continuation of the plan closures of older plants."

Mr. Wilsher bracketed article with other writings the subject in The Guardian The Spectator and described t as an entire series of (warnings and hidden pit which was rubbish from beg ing to end.

I suspect that Mr. Wilsher taken at face value the der of the Prime Minister certain other Governn officials. If he has been mi by them, others may have b equally misled. It is there more than time that the t behind the claims and cou claims was established.

On December 16th, 1970, EEC Commission produced report on the implications ECSC of the admission of and the National Coal Board its jurisdiction, and in partic the special implications w would arise from the size BSC's output. The report the complete supporting d ments must be made avail. to the British public.

The Commission passed report to the EEC Council Ministers. The British Gov ment received copies. The C mission did not consider it p cularly confidential at that t as it admitted the general (of it in some detail to the Pr There are precedents for circulation of EEC document national legislatures and in present circumstances the C mission would be unlikely refuse permission for the circ tion to the House of Common this particular report if reque by the British Government.

Kennedy Linc
Great Missenden, Bucks

See Page 37 of Today's Colour Magazine

General Appointments • Sales & Marketing Appointments • General Appointments • Sales & Marketing Appointments

Prufrock GOES FISHING

The nasty tail of the Monk Fish

IAS BEEN a week in which yone has been getting fear-edgy about fish. Your fish-ger's slab has suddenly me an arena for international ment, and the distant water indic cod fillet and the gleam-homecaught sea estuary on are really sticks of ical dynamite in disguise.

Brussels the protection of inshore fishing industry has loped into a very ticklish and up in their northern less the Icelanders, aloof the Great European Vision, suddenly said *til helvitis thad* ("to hell with that") plan to extend their terri-l limits to 50 miles in Sep-ber next year.

ow when great issues are g weighed it sometimes hap- that lesser ones, equally ortant in their way, get over-ed, which is why I was to be d taking in the heady airs London's Billingsgate Fish ket last week, swimming in seemed dubious waters ed. The story was that some-had been passing counterfeit pi and the villain was the tly Monk Fish.

e Monk Fish, also known as Angler or Sea Devil, is an epossessing denizen of the with a head and mouth as d as the fish is long. One of astier ploys is to attract and ur fish, almost as large as f, using a slender dorsal , with a skinny blob on its end, as a sort of baited fishing rod on top of its snout. This way it is well nourished and its own tail flesh, very meaty, with a pinkish tinge to it, has a taste similar to scampi.

Now scampi is less a fish, more a dish, a name coined by an Italian chef in the late 1940s. It is more properly known as Dublin Bay Prawn, Norway Lobster, *Nephrops norvegicus.* Its juicy tail fried in batter is dear to the heart of every pretentious restaurateur who can't quite extend to *haute cuisine*. You even find it served in fish and chip shops.

Accordingly scampi has become the fastest growing bit of the UK shellfish business. In 10 years the value of the scampi catch has jumped from £565,000 to nearly £2.6 million. It is both small and very big business, from the family-owned fishing boats, which catch it off the Scottish coast, to the Imperial Tobacco Company, whose Young's Seafoods subsidiary sells £1 million-worth of scampi tails a year. In short it has become part of the British Way of Eating.

Now the Monk Fish, very much the poor relation, accounting for catches worth only £400,000 on the £70 million-a-year white fish market, is rearing its ugly head among the scampi, and it seems to me that some innocent consumers, untutored in the nastinesses you can chance upon in the depths, might find this a little upsetting if they only knew.

Chart Fish Merchants of Grimsby has recently started to market a new seafood cocktail with the winning name of Scam'pree. On the pack it says it consists of edible white fish and scampi. But it doesn't say in what proportions, nor does it say that the white fish is Monk Fish pieces. And as you can imagine the label does not feature the visage of the dreaded Monk Fish in multi-colours. This would frighten all the peas out of any frozen food cabinet.

Scam'pree has prompted at least one complaint to the Board of Trade from a public health inspector who thought the name misleading, but the Board of Trade replied by saying that the name had been allowed and registered as a trademark. William Hobson, a director of Chart, says it is a small firm with a turnover of £250,000 a year, a healthy export trade—in, among other things, Monk Fish Tails to France and Italy—and a lot of bright ideas. "You have to have them to compete with the big boys," he says.

I do wish he hadn't had this one. I will never again be able to look a piece of scampi in the tail with total conviction.

Chris Newnes, lips sealed on the secrets of the swordfish

Funny finnies

CHRIS NEWNES and Jack Shiells fish in far away seas, from the heart of London's Billingsgate Fish Market. There, among the fish-gut and foul language, they sell a memory of blue waters and tropic seas to Britain's immigrant population, supplying them both with nostalgia and the taste of fish they used to know—Golden Thread from Hong Kong, Flying Fish from Barbados, Red Mullet from the Mediterranean, and Dorado from the Caribbean.

Newnes pioneered the exotic fish business in Billingsgate 10 years ago when he saw there was a gap to be filled, supplying other than traditional fish, and chucked up his job as a salesman with another market firm to start on his own. He started by selling a ton of freshwater roach every week from Holland, went on to grey mullet for the Chinese restaurant trade, and brought in squid from California at a time when severe winter weather had killed off a lot of the European supplies and the price had rocketed from 45p a stone to 12½p a pound.

The squid was the beginning of Shiells connection with the business in which he later became a partner. At the time he was flying with BOAC as a navigator and Newnes, a chum of his, asked him to pick up a sample box of squid in New York. "We opened the box on his dining room table and there was this prime squid," recalls Newnes. "Jack couldn't understand why I was so excited." His first order was five tons from Young's Seafoods on the basis of the sample box. From then on, wherever Shiells flew, he spent his time-off in the local fish market. Even though he has now retired from BOAC and has come into the fish business full time, he still follows the fish by air, still forages in the fish markets of Athens, Buenos Aires and Hong Kong.

The firm sells to other wholesalers and retailers and does big business with places like Birmingham and Brixton, where there are large immigrant populations. At the Easter peak Newnes may sell three tons of grey mullet in a day, and a ton of red snappers. The snappers come from the Argentine, but by and large the two partners are loath to say where they get their fish, or sometimes even what they are. For a market operation it is conducted with great secrecy. There are even different levels of dialogues for different buyers; reasonably forthcoming for the known customers, extreme reticence with the unknown ones. Apparently, in the Billingsgate fish business, industrial espionage is something wicked.

As Newnes says, "It only needs someone to discover what an unusual fish is and from where we are buying it, and they will bring in a few tons and knock the bottom right out of the market." And out of the C. J. Newnes Exotic Fish Monopoly too!

Beer and chips

IF YOU ASK ME, it's Harry Ramsden's batter recipe which is behind all the excitement generated over last week's decision by Associated Fisheries and Allied Breweries to go in harness for a slice of Britain's fish and chip business.

Mind you, that's £130 million a year we're talking about. And the new partners are aiming for the aromatic heart of the market by announcing that they will open 60 Seafarers—Associated Fishery's posh name for a chip shop in Yorkshire and Lancashire during the next five years. And it's not going to be a closed shop. For £11,000 minimum, they're offering a franchise package deal to all-comers including site location advice, shop design, all the equipment necessary, advertising arrangements, etc. And the rights to Harry Ramsden's batter.

Now for those who don't know the difference between haddock and halibut, Harry Ramsden was the greatest chip oiler in history. The founder of the biggest fish and chip shop in the world at Guiseley, between Otley and Leeds. One of the few fish and chip shops to get into the Good Food Guide. As any Northerner knows, a fish and chip shop stands or falls by its batter. It has to be light, crisp and delicious.

It is said by gourmets that true batter—which is the same stuff Yorkshire pudding is made of—can only be mixed by a strong Yorkshire woman beating for at least 30 minutes, using a wooden spatula in the Heckmondwike manner.

With his own recipe, and presumably a platoon of muscular Yorkshire maids, Harry expanded his business from a wooden shack in 1928 to a large, brick-built 94-seater with carpets and chandeliers by the time he handed over to Eddie Stokes in 1954. On his last night he gave fish and chips away and stopped the traffic for miles.

Eddie, now 57 and retired, sold out to Associated Fisheries in 1965 for an unspecified price and remained managing director until last year. Today, Harry Ramsden's has 186 seats, 150 staff, parking for 400 cars and the customers still queue half way round the building. Last year the turnover was £250,000 and new managing director Wilfred Bush confidently expects to top £300,000. That's one and a half million portions a year, costing from 15p for haddock and chips in the take-away shop to 41p for halibut under the chandeliers with peas, tea, bread and butter and two kinds of sauce thrown in.

And Eddie Stokes will tell you that "unless the batter is right, nowt's right." The recipe was formulated nearly half a century ago by the late, great Harry and remains the same today.

There's no secret about the ingredients—flour, water and batter powder. It's which flour, which batter powder, which quantities, how you beat it and for how long.

Now, for the first time in 43 years, Harry Ramsden's batter will no longer be exclusive. It's part of the franchise package deal. And when you think of the staggering turnover at Guiseley it may be a bargain.

Photographs by John Hodder

Bayliss and oyster opener

Oyster opener

I'VE NEVER thought of fishmongers as inventors. With all the filleting, cutting and slicing it seems an unlikely trade to spawn new technology. But both William Bayliss and Sydney Gibbard have managed to industrialise small bits of the business. Gibbard, a Billingsgate fish merchant, has a smoked salmon slicing machine—and very secretive about it he is—which in one day will do the same amount of work as three men. It has enabled him to build up a substantial export business in ready sliced smoked salmon, and has caused such a stir in salmony circles that American, Canadian and Japanese packers have all been after it, with no success.

"It's behind barbed wire and machine-gun posts," jokes Gibbard who has no intention of relinquishing the advantage it gives him. He will not even have it patented because he feels some clever engineer would take the basic idea and modify it.

Unlike his machine, the Bayliss Oyster Opener is on the market and yours for £20. Bayliss, a London fishmonger who supplies the catering trade, has been selling between 200 and 300 of his machines every year since 1961. He found the original machine in Belgium, substantially modified and adapted it, and had it patented. It opens 20 to 30 oysters a minute, doesn't lacerate your hands, and keeps all the liqour in the shell without spilling.

Philip Clarke

General ● Management Services/Computer Personnel

Tomorrow's budget—will the target be 4% growth'

BY MALCOLM CRAWFORD, Economics Editor

TOMORROW in the Commons, Anthony Barber will produce his July mini-Budget. This will not be so much the result of a careful and lengthy review of the economy by his Treasury economic advisers, as a policy dictated by British industry.

Of course, with the debate on the Common Market White Paper coming up this week, the Government wants to have the wavering and the doubtful among the ranks in as cheerful a mood as possible. Reflation was on the cards anyway. But the CBI, by offering a credible scheme for temporary control of prices, on do-it-yourself lines, as a quid pro quo for reflation at 4% (instead of the 3% hitherto projected by the Treasury) has forced the Chancellor's shaky hand. All the signs are that the Government has decided to accept the CBI offer and go for a real reflation.

Business opinion has been deeply frightened by this recession. A month or two ago, it sometimes sounded as though industry was talking itself into a depression through sheer panic. Its positive reaction has, in the event, been admirably constructive—even though the business slow-down does not now look quite as sharp as many people were fearing.

A few weeks ago, it looked as though Britain was slipping into a recession that was too deep for the Budget measures (which are just starting to take effect now) and the pension increases (timed for September) to pull us out of. The OECD's current estimate of UK output this year, in its latest Economic Outlook (published last week, but prepared on figures up to about June 1) reflects this gloomy picture: it estimates a drop in output of 2½% in the first half of 1971. The Treasury never saw things quite that blackly, but that is roughly how things looked.

However, the outlook has changed somewhat since then. Mainly due to upward revisions of some of the industrial production figures, it now appears that the drop in the first half was only about 1% or so. This is still worse than the official estimates in the Budget statement, but it does not justify the recession jitters many have been feeling. Yet even a mini-recession occurring at a time when unemployment has risen to 3.2% (4.4% among men) makes a case for topping-up the Budget medicine look quite respectable.

In any event there has been so much fanfare and so much anticipation (thanks mainly to Barber's delaying the measures as long as he could) that it will now be politically impossible to go for under 4%. There was never much doubt that he was going to announce a major easing of hire purchase controls. These had already been outflanked by the finance houses' decision in May to stop exercising a supposedly comparable restraint on personal loan credit, and indeed so many leaks have developed in the consumer credit control system during the 2½ years it has been held in the "on full" position that easing them will probably not have the dynamic effect such actions used to have. Easing HP controls could still add at least another £100 million to consumption over the coming 12 months, though.

To get an extra 1% increase in demand, however, will require much more than that. In terms of total output it needs about £400 million. The CBI wants measures to aid industrial investment as well. The Government has got itself in something of a box over this, having abolished investment grants. To ease depreciation allowances would wipe out the differential favouring the development areas.

This leaves the regulator—a flat 10% off all indirect taxes, including purchase tax, tobacco and alcohol duties, and duties on petrol and oil—which would pay back just over £300 million a year to the public. This would stimulate output by some £200 million a year, which would add an extra ½% to growth.

For the development areas, Barber's colleague Peter Walker, wearing his regional cloth cap (he is Secretary for the Environment, according to our new American-style designation of Ministries) has already stolen some of his potential padding by announcing last week an injection of some £50 million a year in additional local project spending in development areas, to apply over the next two years. I gather this will be a real increase in expenditure and will not be taken off existing programmes.

In addition, the Government last month announced £46 million extra housing grants for development areas. If these measures are counted into Barber's package, it might add up to the extra 1%. This would start reducing unemployment—the present 3% official growth forecast would only hold unemployment steady after it bottomed out somewhere around the 800,000 mark.

What has been deterring Barber is the absence of measures against inflation that showed any sign of working. Although Whitehall officials no longer take the simple view that inflation is solely the result of excess demand, any sharp addition to demand is still expected to add, on balance, some extra fuel to prices and wage demands—especially if it causes demand to rise much faster than capacity (or in other words, if it will reduce excess capacity). This last is exactly what Barber's measures tomorrow will do.

The Government will be gambling heavily, therefore, on the success of the price restraint offered by the CBI. There is no sign of any comparable offer by the TUC and indeed it would be unrealistic to expect one. Prices have been rising faster than wages so far this year (the reverse of last year's experience) and union members could not be enticed very far into voluntary quiescence, however the TUC might try to cajole them.

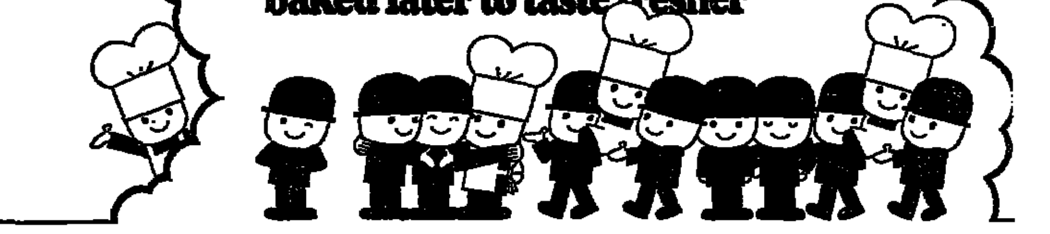
For the same reason p should start to recover onc tendency for excess capaci rise is stopped. So it is industry to take the initiativ price inflation can be cut ba an annual rate of 3% ove next six months (which shou possible if food prices stop r wages might just settle do the 6% rate of rise which be compatible with that (are now rising at about possibly at a bit less). There iron law that says it will; n that if workers feel that real incomes are rising they be less ready to strike. It gamble.

Of course, the whole could still fail to get of ground. The CBI does no know exactly what is in package Barber will ann tomorrow, and the package fail to satisfy its members.

But subject to these unce ties, we shall have a pa which will raise demand fu and dig a little into Britain's rather large reserves of ployed labour and unuse dustrial capacity. The balan payments is no longer a cons ing factor; here, too, more mism is warranted than whe OECD figures were prepare it looks now as though a cu account surplus of £300 m was earned in the first half. OECD was looking for £460 million for the whole

Although I had several m ago, urged reflation while tac the wage-price spiral from prices side, I still have givings. Assuming the sc gets started, it will be ab year before it can be judg have worked or not. It will several months for wages act. Then the real testing will come towards the end 12-month restraint period, capacity shortages will hav gun to show up here and It would be nice to think th Government has some longer policies up its sleeve, to deal the situation when the CBI trols come off—or fall apart

Spillers tries to make more bread out of loaves



Will the little men pull out the extra pennies ?

TONIGHT, at 9.20 precisely, the Homepride flourgraders will put an end to the guessing game with which they've been teasing London Weekend viewers since Friday evening and whip the cover off their new product—the Homepride loaf. It is longer, slimmer and, proclaims the orange wrapper, "baked later to stay fresher" than the standard competition.

It is also the first bread for which housewives have decided the specifications—or rather 1,500 of them who, for the past 15 months, have each gamely chewed their way through 76 different loaves so that Spillers could turn out something tasting less like steam-baked cotton wool. But it is also one new penny more expensive, at 10½p, than the same 28oz size of RHM's Mother's Pride, Associated British Foods, Sunblest, or Spillers' own Wonderloaf.

Spillers is taking a calculated gamble based on research which showed women would be prepared to pay more for something called Homepride, because they expected it to be better. And a successful higher-priced loaf could bring greater profitability to Spillers' United Bakeries operation, something the company was trying to achieve even before last year's profits nose-dived by £2 million to just over £5 million: for the bakery division provides over 25% of Spillers' £192 million turnover but only 10% of its profits.

Along with other mass-production bakers, Spillers finds itself embraced in a terrible straitjacket. With too high an investment (over £20 million) to contemplate getting out altogether, it operates in an industry where over-capacity is estimated to be as high as 20%, but, on average, every customer is refusing about half a slice a week, thus producing an inexorable 1.2% drop a year. When 1% means at least £4 million, that's a lot of bread. Yet highly automated baking plants depend for profitability on sheer volume. Even a 1% gain in market share by Homepride could mean Spillers' plant utilisation would go up by 10-15%, straight jam on the profits.

Return on capital for baking is notoriously low (6½-8½%) and all four major groups—Associated British Foods, RHM, Spillers and J. W. French, representing the union of the Co-op and J. Lyons—have tried to improve it by rationalising. RHM, Britain's biggest baker, has closed 20 bakeries in three years. Garfield Weston's ABF reckons to have been more ruthless than anyone else in rationalising. And although its overall share of our daily bread is slightly less than RHM's, its profitability has enabled it to dictate retail prices and hence profits to the rest of the industry.

Last November, it charged one old penny more for a standard loaf instead of the twopence some bakers had been hoping for. The rest of the industry followed suit, just as it did when ABF rounded down by a halfpenny on decimalisation by 9½p. By restricting the amount of profit available in this way, ABF has pressured the rest of the industry into examining how worthwhile it is to carry on, especially the independents, who still account for about 30% of bread production.

Rationalisation is one way of tackling the problem of return on capital. Given that volume is the key, increasing your share of the cake is equally acceptable. Yet none of the high-powered marketing efforts of the last five years has succeeded in changing the balance of power.

Because whatever women say in answer to eager researchers, the fact remains that home-baked type bread is a minority choice (brown bread only accounts for roughly 7.5% of sales). Wrapped, sliced bread has grown over the past decade to make up 80% instead of 70% of sales. Convenience seems the most telling factor. But it does leave dissatisfaction in its wake and this is what Spillers took as its starting point.

A joint development team, headed by Peter Fleck, head of Spiller's grocery division, and Harry Colbourne, chairman of United Bakeries, came up with a new type of flour, a new method of baking, plus dramatic changes in its production and delivery schedules to produce the new Homepride loaf.

Its narrower shape and curved top, as opposed to the square, wrapped and sliced standard model, is reminiscent of turn-of-the-century bread, save that modern machinery now makes even texture all the way through a normal event instead of a miracle. "We've tightened up our production schedules and cut the time between baking and delivery to justify our claim," says Colbourne.

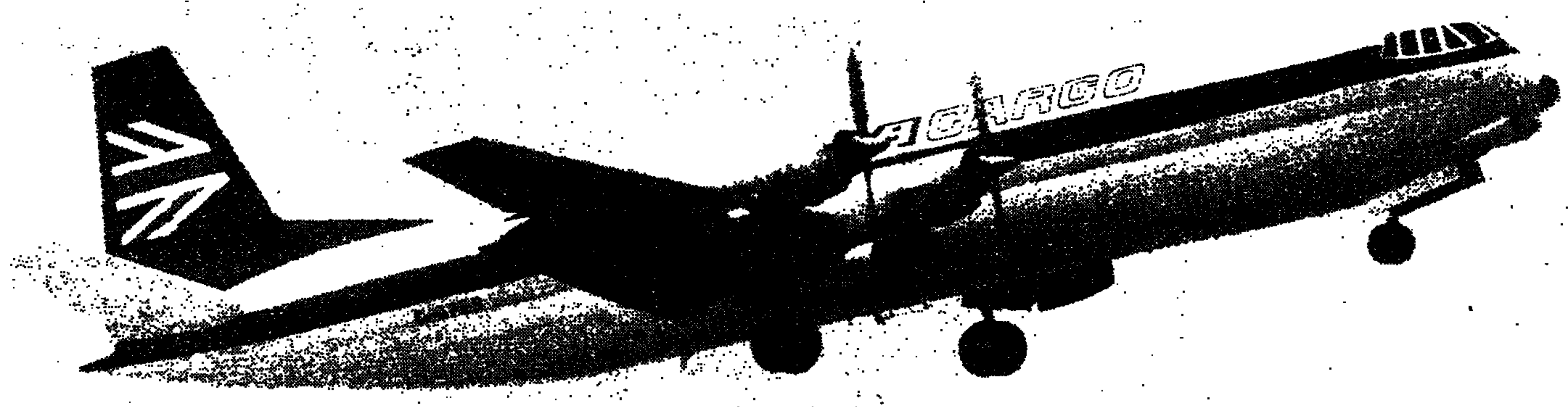
This is the chief factor in ensuring freshness. The time between baking and delivery for Homepride has been cut by three hours. No Homepride bread is likely to be more than seven hours old when it reaches the shops, compared with a lifespan of anything between three and 17 hours for the standard loaf.

This is one reason why Spillers' grocery division was prepared to allow the powerful will built up by its Home flourgraders to be used or new bread: all its claims hav to be substantiated befor could start advertising. subtle, immeasurable yet mous belief in, and affectio the flourgraders created agency Geers, Gross, which Spillers' Homepride flour m leader from virtually nothi a very powerful launching

If Spillers reaches 2% o bread market iwth Homepri can chalk up a success. Th allowing for a certain seepa Wonderloaf buyers. But based on a national sales est and the current campaign is in southern England. The 1p on a Homepride loaf wil start yielding a profit unti test market moves beyond mingham, where shops cut prices as loss leaders. The test of the flourgraders' a will come then.

Gwen Nut

Think of it as a crow.



It's a BEA Merchantman.

It flies cargo from the principal cities of Britain to the principal cities of Europe.

Straight there–and straight back.

As the crow flies.

No transhipping to other aircraft en route. No time, money or goods lost en route.

BEA have a whole fleet of Merchantmen. More freighter services flying to more points in Europe than any other airline.

And BEA is the only freight airline in Europe specialising on Europe.

Which is something else to crow about.

BEA CARGO
As the crow flies.

COURTAULDS

Difficult times–more cheerful prospects

In his speech to shareholders at the Annual General Meeting of Courtaulds Limited, which was held on July 14th at the Wigmore Hall, 36 Wigmore Street, London W.1, the Chairman, Lord Kearton, O.B.E., F.R.S., welcomed shareholders to the 58th Annual General Meeting and, after paying tribute to directors who had retired, and dealing with other Board changes, said:

REPORT AND ACCOUNTS

In commenting on the Report and Accounts last year, I expressed the opinion that the 1969/70 profit figures were good, particularly in the light of adverse circumstances. I listed the adverse circumstances as little growth in the UK economy, sharply increased costs for our raw materials, work stoppages at several of our key sites, and unchanged selling prices. In the financial year to 31.3.71., these same circumstances persisted, and indeed intensified. Additional factors were a textile recession in the USA, reducing our profits there; considerable difficulties with our business in Australia; and an actual falling off in all markets of the selling prices of most fibres. The one fibre which was in short supply was polyester filament, and with it producers continued to make good profits. But polyester was also the fibre field from which your Company had been shut out.

For the second year in succession, your Company was squeezed between rising costs and constant selling prices. Our costs—wages, salaries, raw materials, fuel, and the rest—rose in total by well over £40 million. Our prices overall were unchanged. In a considerable number of areas, prices fell due to over supply and strong buyers. In some cases, where the market conditions were not so severe, or where our customers recognised that without some uplift in prices we would simply stop production, we did get an increase. But overall, in home and export markets, there was no change. Two years of stable prices in inflationary conditions is severe medicine for any Company.

It is nevertheless disappointing for your Board to report lower profits, £41.7 million before taxation, than in the previous two years, especially as those working for the Company increased their incomes substantially. But the actual figures do reflect considerable internal success in keeping the rise in unit costs down to a level below that of the inflationary pressures. This was the result in large measure of increased efficiencies, themselves due to a high level of capital expenditure, and to better organised working. A good deal of our capital expenditure went towards increased verticalisation. Without the verticalisation we have so far achieved, we do not feel we would have weathered, in our particular situation, the pressures of the last few years.

GENERAL SURVEY

Exports: With our home market so flat—and we are UK based to the extent of 78 per cent of our production—we intensified our export efforts. We increased our exports by 15.5 per cent in value, to a record £113.6 million. And by rather more in volume. In world fibre and textile conditions, there was no benefit of increased export prices for us. I would point out that with our exports we have nothing to offer which our competitors cannot also offer. And our products are items of low unit price. So to become one of the largest exporters from the UK—a member of the top ten—has been very hard going. We received two Queen's Award Citations for export achievement last year, the fourth year in succession we have received such recognition. Our exports cover the whole field of Group activities, but some Divisions are more export orientated than others, exporting up to half their production. We intend to seek out further export opportunities in the years ahead. It will bring increasing success to your Company, in the medium and longer term. And benefit the Country at all times.

FIBRES

Viscose: The great developments in fibre market growth in the 1960's were in the chemical fibres—nylon, polyester, and acrylic. The cellulose based man made fibres, of which viscose is the chief, grew only modestly and were overtaken first in value and then in volume by the chemical fibres. In 1970, chemical fibre production on a world basis continued to grow, but viscose and acetate output declined. At the beginning of the 1960's viscose *was* Courtaulds. It is now but a modest part of the Group, but is still important. I think after the world shake-out in viscose in the last two years, it will continue to be important.

Our viscose filament production for textile purposes is now carried out in only two factories, at Flint and Preston. During the last year we closed Wolverhampton and ceased production at Carrickfergus. The yarn is now getting back to its beginnings, a speciality, and as such is well fitted to certain end uses. We export 40 per cent of what we make. Last year the product made a loss, but this year the selling price has begun to harden. It would have to increase dramatically for new plant to be justified, and the product will always be vulnerable because it demands a relatively labour intensive process, and is easily and badly upset by labour troubles.

Viscose tyre yarn is also now made in only two factories, Preston and Carrickfergus. It is an excellent material for radial tyre reinforcement, but is under challenge from steel, polyester, and glass. Last year, after price increases, we made a profit on this activity. In the new financial year, demand has so far not been brisk and in addition strikes and stoppages have adversely affected operations.

Viscose staple is a big volume item. We increased production slightly last year and exported nearly half of it, the home market continuing to be flat. The product is at a crossroads. We ourselves made a small profit, and we feel that very few of our international competitors did. In some cases, we know they made large losses. As a result, a number of units are currently being shut down. In America and Japan, prices have begun to harden. We think the increased prices will probably stick, in which case our export business should be relatively favourable in 1972. Viscose staple is a very versatile material. Our newer varieties have been taken up more slowly than we expected, but their merits are being increasingly recognised. Given reasonable labour stability, we regard the future for our viscose staple in the 1970's with cautious optimism.

Acetate: "Dicel", "Tricel", and "Tricelon" are fibres which have certain well established basic end uses, but depend on variants with a high fashion content for a satisfactory level of profits. In the past 12 months, sales and prices have both been affected by the great popularity of polyester in its various forms. We had planned for a considerable increase in output, and made provision for this. Our timing was wrong. We still have confidence that the increased availability will all be needed, but it currently looks as though this will not be before 1972.

Profits from Chemicals and Plastics associated with Acetate Manufacture were higher than in the previous year.

Nylon: Our "Celon" units at Aintree and Spondon have operated well, and our product, in quality and variety, compares favourably with that of other and older established producers. Pressure on nylon prices was severe both at home and overseas. With their smaller scale of operations, our overseas units had a particularly hard struggle. We are turning these smaller units over to specialities as we develop the appropriate yarns.

During the 1950's, and for part of the 1960's, the world's nylon producers had a very profitable time. It is different now. One has to be good to survive. We were not able to start on our own nylon plant constructions, which we did from scratch, until the mid-1960's, for reasons which are well known. We now have excellent units at Spondon and Aintree, and elsewhere, and are confident that in very competitive conditions we can continue to make a reasonable return on the capital outlay.

Acrylics: "Courtelle" output went up last year, as planned, but profits began to be increasingly affected as the year proceeded, both by cost pressures and selling price pressures. More and more acrylics have become available from a variety of sources. We have decided to consolidate Grimsby production at its present capacity of some 3,600,000 lbs/week. We are concentrating on bringing to the best pitch of efficiency the complex new units which have been installed in the last year or two. We are also updating our older units. In France, we have successfully completed the first stage of the expansion I referred to last year, and now have a capacity of 1,600,000 lbs/week. The second stage of the expansion is still under study. In America, conditions have not been suitable, as yet, to proceed with our proposed venture there.

Acrylic fibre producers have met increasingly in the last 12 months the same pressures as nylon producers. We are fortunate that with "Courtelle" we have a very versatile fibre, and we are continuing to develop new variants and to find new outlets.

Our mod-acrylic fibre "Teklan" had a very up and down year. The first half, as new outlets developed rapidly, was favourable. The second half saw severe setbacks in most overseas markets, which are still continuing. But taking the longer term view, the non-flammability properties of this fibre should lead to more stable and reasonably profitable outlets.

Polyester: We were only able to start the construction of our first polyester unit, at Carrickfergus, at the beginning of last year. Good progress has been made. The first trial spinnings, which were encouraging, have already taken place. But commercial production, on a limited scale, will not be possible before the autumn, and it will be well into next year before the unit is fully operational. We are already considering an extension of the unit, beyond the initial 20 million lbs/year, but we have noted the rush by established producers to expand capacity, in view of the boom of the last 18 months. We must be satisfied our own process is fully competitive before proceeding.

Other Fibres: Our elastomeric fibre "Spanzelle" is doing better, and profit is increasing. Our steel cords unit was profitable, and we have made a number of improvements to the process. We have a participation in another unit, in France, which is steadily expanding, but have postponed going ahead with a second factory in the UK. Steel tyre cords have been a major success of the Michelin Tyre Company, and other tyre producers are increasingly interested in steel cord reinforcement for tyres. The unresolved question is whether there is major profitable scope for independent suppliers to the tyre companies, who drive very hard bargains.

Our carbon fibre development proceeds steadily, if rather expensively. We have increased capacity, and also our range of new products, which include some very high performance material. We have reduced prices. But the considerable technological break-through represented by carbon fibres is still in the use-development stage. With the fall off in military spending in the USA, progress will be slower than the optimistic forecasts, so widely publicised, of two years ago.

TEXTILES

Our interests in the textiles and garment field had mixed fortunes.

The Northern Spinning Division had a reasonably good year, and increased its use of Group fibres. The re-equipment programme, *in its first phase*, is about 75 per cent complete, and the expected benefits have accrued. We now produce in 34 mills rather more yarn than was produced a few years ago in 54 mills, and it is yarn of better quality. We have made steady progress with the so-called break spinning technique, and these yarns are getting wider acceptance. The Division is not currently fully extended, a situation which will correct itself as the Northern Weaving Division advances with its planned expansion. The build up of looms at Lillyhall and Skelmersdale is proceeding, and extensions are in hand at Carlisle. The proportion of top quality cloth made is much better, as the new organisation settles down. Our sales and converting teams are more expert.

In a year when UK woven cloth production from spun yarns decreased in yardage, we increased our own sales and our market share. The development losses now being made on this major venture are mainly unrecovered overheads. As production and sales build up, the position improves, as we intended and expected.

We have continued to develop our tops business in Yorkshire and our worsted spinning activities. Both made profits. We have also started up a new spinning unit for woollen yarns.

In filament weaving, production was also built up, and sales increased. The teething troubles of the various new types of looms we are pioneering in this country are yielding to treatment. And the low cost structure for which we were striving is beginning to appear as an achievable target. The Division has been reorganised, having outgrown its previous arrangements. The market for filament cloth in the UK has been depressed for some time, but there are currently signs of improvement. And our export efforts in filament weaving are also bearing fruit.

Warp knitting production has been increased, and extensions to capacity continue to be made. New effects in warp knitting are continually sought, and new markets are opening up. Profitability fell last year, since increased costs were not recovered in better selling prices. But the new financial year has opened more favourably, and we expect the trend to continue.

In weft knitting, developments have been extensive. We have greatly expanded our interests in jersey fabrics, opening up new factories and extending existing factories. The rapid rate of expansion, with training costs, and teething costs, have affected our profits in this area of our business, as has our virtual exclusion, until recently, from the polyester based fabrics. But profits still showed excellent growth. We see the single and double knit business continuing to expand, but at a considerably lower pace, and we feel that a continuous flow of new fabrics and new ideas will be necessary to maintain the interest and indeed the excitement of the business. We have therefore established and are building up a strong *development team*.

Our fully fashioned knitwear units had a difficult year, with well established lines losing favour quite suddenly. New ideas, new constructions, and new marketing are beginning to bring some recovery.

In panti-hose the year saw a dramatic fall in price and in profitability, a process which continued fiercely into the current year. Within the last few weeks, signs of returning confidence and slightly better conditions are appearing.

Lingerie had a poor year, with competition accordingly being very intense. There are still few signs of improvement here.

In men's wear and children's wear, we have made progress, and profits. We are still relatively small beer in men's shirts, which have become a fashion item, and have had boom times. On the other hand, we have maintained our strong position in men's underwear and made reasonable profits.

Our interests in such lines as trouser suits, bras and foundation garments, have made profits. The continued fashion swing away from elasticated fabrics, together with reduced sales of narrow waist band fabrics following changes in the design of panti-hose, lowered Chatsom-Penn's profits. The development of new products has been speeded up and management changes made. Results are now improving.

As a general observation, it is only in the past few years that we have built up a major position in the garment area, and we have had a lot to learn in the running of such businesses. What we are now beginning to know is how to be much faster in our reactions, and in our ability to switch product lines. The whole garment field is so much more volatile than it was. We have to marry good organisation with entrepreneurial and fashion flair, and keep the marriages happy and successful.

An example of where we failed in 1970 was Moygashel. At the beginning of *1970*, the linen look lost popularity in the United States, by far Moygashel's biggest market. There had been dips in previous years, followed by recoveries, but in 1970 the sales failure accelerated, and then deepened drastically, beyond any previous post war experience. In a year, Moygashel turned from reasonable profitability to heavy loss. Corrective action—also expensive—has been taken. The outlook, with new lines, looks better for the autumn.

The turnover of our Wholesaling companies was *slightly down*, and profits were affected by rationalisation costs. But they now have an improved buying organisation and a more streamlined operation and are in good shape to become an efficient group distribution chain. Profits this year are improving.

In general textile servicing operations, such as yarn bulking, dyeing, printing, twisting, etc., the Group had a successful year. We have been in these fields longer than with our garment activities, and the response to rapidly changing market conditions was good. We had our failures too, though, notably with Samuel Heap & Son, our spun woven dyeing and finishing unit, and with Standfast Dyers & Printers, also treating spun wovens. Both these units made considerable losses. We now seem to be getting Heaps right again, and action is in hand to improve Standfast.

Looking back, our dash for survival and growth, coupled with numerous technological advances, put tremendous pressure on our managerial resources. But the experience has been a toughening process, and I can assure you that your Company now has excellent teams in being.

PACKAGING

British Cellophane had a rough year with very difficult trading conditions. We did get very slight price increases, but as an example the average selling price of cellulose film in 1970 was only 2½ per cent higher than in 1969, and only 6 per cent higher than in 1961. The polyolefin films had a hard year too, and the big new ventures in bonded fibre fabrics made slower progress than we hoped and had *budgeted for*. What one can say, is that British Cellophane came through much better than its competitors. The start of the new financial year has been upset by labour difficulties. It is regrettable, and we have had very painful experience of this in many areas in the past two years, that operatives forcing work disruption do not seem to understand that the disruption makes it that much harder to make the profits and have the resources to go even part way in meeting their claims. But given reasonable labour stability, we feel we can come through 1971-72 fairly well.

PAINT

The International Paint Company had to contend with difficult conditions, like the rest of the Group, and tackled them with vigour. The reconstituted management team, which I mentioned last year, is settling down very constructively. The bigger part of IPC's business is in production units overseas. There is an inflationary situation in varying degrees in each country in which the Group operates, and in some countries the rapid changes caught the managements on the wrong foot. The Group also has major interests in the marine world, where fixed price long term contracts have been as much a bugbear to the paint supplier as to the ship building firms themselves.

ENGINEERING

The Group's Engineering Division based upon *Coventry is contracting*, as a consequence of a lower overall Group capital programme and a dearth of new fibre making plants ordered by third parties. When the reshaping is complete, we expect this Group to earn satisfactory profits on the capital employed.

We have a number of machinery companies, and I must single out one of them, Kirklands, which makes knitting machines for home and overseas markets. Kirklands achieved exceptional growth last year, and made satisfactory profits.

OVERSEAS

The textile recession in the United States last year hit our interests there quite hard. It was not until early this year that our major unit at Mobile came up again to full production. We then had, in March, the misfortune to suffer a severe fire in the process plant, which destroyed the most up-to-date part of the factory, and caused the shutdown of the whole. Tremendous efforts by the local staff, with help from the UK, have resulted in all the runnable parts of the factory, nearly 70 per cent of the whole, being brought back on line. The destroyed areas have been cleared and the units are being rebuilt. We hope to have the factory fully restored by the spring of 1972.

Our French interests are going well. We have factories at Calais, Lille, Hellemes, Douai, Lyons, Colmar and other places. We make acrylic, nylon, and viscose fibres; we spin on the cotton and worsted systems; and we weave, knit and dye. We plan to continue to expand these varied activities.

In Canada we improved our position in cellulose film, but had a poor year with viscose staple and nylon. We have progressively reduced our stake in Canada, a high cost country for fibres and textiles, and still have trouble in keeping our remaining interests viable.

In Australia, now very much a Japanese market, and a supplier to Japan, the profit fall I mentioned last year continued, and there has been a loss in the initial months of this current year. Changes we have made have now reversed the downward trend, and the current year should finish up with a small profit.

In South Africa, our pulp and timber interests have expanded, and have made profits. Our textile interests there were adversely affected during the year by some rather large bad debts as some long established customers failed. The South African market too has had a number of fashion swings, and these also affected profits. The current year has seen some restoration of a better position.

The forests and pulp mill in Swaziland had their best year since the inception of the project. In the current year, profits are lower because of the very unsettled conditions which have developed in the world market for unbleached kraft pulp, the main product of the Swaziland mill.

Our various other overseas interests performed satisfactorily.

FINANCIAL

In depressed trading conditions, and with a heavy capital investment programme, and with inflation of the cost of all goods bought in, the control of our financial position has been arduous. But we finished the year with stocks and debtors under control, and with an adequate cash position. We need a strong *cash position to finance the business as trade im*proves, as improve it will. On capital account, we had a year of maximum spending. But this year and next we expect to see a considerable fall off in such spending. We have modernised and extended a number of our existing factories, and built a number of new ones, and all are well equipped. We have the facilities to press forward with our verticalisation programme, and this we will do. Our competitive position, in nearly all our products, is now stronger than it was a year ago, two years ago, or five years ago.

A programme of the kind we have carried out in the past five years, involving the spending of some £250 *million, is formidable*. In large scale operations of this nature, the benefit accrues some years after initiation and even some years after completion of building, as new operational and marketing skills have to be acquired and developed. The interest charges on borrowed money come at once, however, and the depreciation charges come before the new plants are fully established and profitable. Our return on capital employed, in the year just ended, fell to 10.8 per cent, the lowest for several years. And our earnings per share, after a sharp rise in the first half of the 1960's, have been static for a few years. What we have been able to do is to increase the cash flow available for investment per share, and the table on page 5 of the Report and Accounts shows that this figure reached a peak last year. Your Company in the 1970's will increasingly benefit from the investment policies of the past five years.

IMMEDIATE PROSPECTS

Our results for the first half of the 1971/72 year will reflect the heavy immediate pressures upon us, and will be down on 1970/71. The UK market overall has continued to be very depressed, and an upturn depends on Government policies. We have in recent months been operating below capacity in many Divisions, and resistance to price rises, in over-supplied markets, has been fierce. On the other hand, our own costs continue to rise, and the demands of our employees for more pay, to cope with their own inflationary pressures, grow no less. We have had some expensive work stoppages in recent months, in efforts to increase the pressures upon us. We have resisted unreasonable pressures, and will continue to do so.

On the other hand, we do have brighter areas appearing. We do think higher prices, both at home and overseas, will, by degrees, be accepted. It is our view that the Government cannot continue to let the British economy stagnate. Our results, with our heavy gearing, will respond quickly to an improved trading and pricing atmosphere.

Given the changes we expect to see, the second half of our financial year should see recovery from the setbacks I have reported. But it will not be until the first half year results are announced, in November, that it will be possible to be more specific.

KEY POINTS FROM THE CHAIRMAN'S SPEECH

1 World trading conditions for fibres and textiles were difficult in *1970/71*. Courtaulds Group profits before tax, at £41.7 million, were £10.4 million lower than the previous year. This was the result of increased costs, and unchanged selling prices overall. This was the second year of unchanged prices.

2 Costs—wages, salaries, raw materials, fuel and other items—rose by over £40 million. The rise in unit costs was kept down to a level below that of the inflationary pressures.

3 Exports from the UK increased by 15.5 per cent in value, and rather more in volume, to a record £113.6 million.

4 During the year there were a number of factory closures. There were also a number of expensive strikes and other interruptions to normal working. New factories were opened for those products showing growth.

5 *Textiles and garments had a mixed year.* The need to react rapidly to market and fashion changes became a key aspect and management changes were made to achieve this.

6 The experiences of the Group's overseas activities varied. The well-spread French interests showed good growth and it is planned to continue to expand these interests.

7 In the five years 1967-71 a total of some £250 million has been spent on modernising and extending existing plant and on building the new factories. The Company has been reshaped. Capital spending will be at a lower level in the current year and next year.

8 Working capital has been kept under tight control, and the Group has an adequate cash position to finance improving business.

9 The results for the first half of the year 1971/72 will reflect the heavy immediate pressures on the Company, with many Divisions working below capacity, and costs still rising.

10 Brighter areas are now beginning to appear, and an upturn in the very depressed UK market is not thought to be far away. The Group is in a position to respond very quickly *to an improved trading and pricing atmosphere.* Given the changes that are expected, the second half of the financial year should see a recovery from the setbacks of the first half.

SUMMARY OF RESULTS

Year ended 31st March	1971 £000	1970 £000
World Sales to third parties	659,583	626,546
Home Sales in the United Kingdom	*403,260*	383,881
Exports from the United Kingdom	113,618	98,336
Profit before Tax after Depreciation of £31·943m (1970 £28·206m)	41,673	52,145
Attributable to Ord. Shareholders after Tax	23,574	26,519
Ordinary Dividends	18,546	18,545
Amounts per 25p Ordinary Share		
Earned after Corporation Tax	8·739p	9·831p
Dividends	6·875p	6·875p

Recipients of the Queen's Award to Industry in 1968, 1969, 1970 and 1971.

COURTAULDS

The Resolutions for the adoption of the Directors' Report and the Accounts, for the re-election of Directors, and for the payment of the final dividend on 22nd July were carried at the Annual General Meeting held on 14th July, 1971.

Copies of the full Statement and of the Annual Report can be obtained from The Secretary, *Courtaulds Ltd., 18 Hanover Square, London W1A 2BB.*

1968 1969 1970 1971

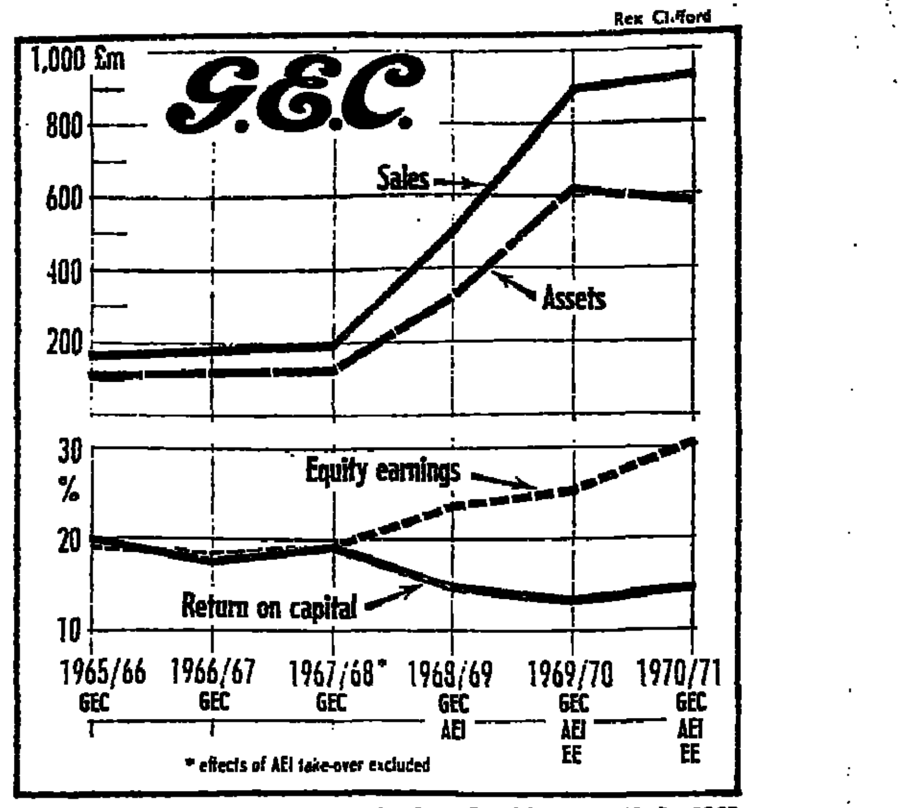
WEINSTOCK'S 1,000 DAYS

...uccess formula for ...e UK's best big firm

H RICHARDSON completes the analysis of Arnold Weinstock's GEC


Michael Ward

Arnold Weinstock: leader of a tough team.



THE OLD GEC reached its peak of profitability in 1966. In 1967 it bid for AEI.

The return on capital employed immediately took a beating, although AEI was making profits and out of debt before the merger with English Electric had gone through in November 1968. By then the share price had soared to a peak of £1.93. As the chart shows, the total return on capital is still well below the old GEC levels.

But because of the advantageous terms on which both deals were done the interests of GEC shareholders have been preserved and earnings per share moved upwards without a break. The effect of converting £80 million of loan to equity next September will not seriously affect the picture. Nearly £35 million has been spent on post-merger rationalisation costs and the slate is almost clean.

For the future a steady further increase in profitability should be within reach. But it may not be dramatic. GEC is in too many problem areas—appliances heavy plant, with stakes in computers and aircraft and nuclear power. It faces the giants of Europe and the powerful technology of the Japanese.

These will test its management to the full. But at a price of £1.39 GEC shares are at 18.6 times earnings, a rating only slightly above that of the market as a whole. The prospects deserve more than this and as a long-term investment the shares should be bought.

ONE VERDICT can ...rom a close analysis of ...ral Electric Company ...he merger with AEI ...lish Electric has been ...anding success. The ...ransition from managing ...illion company to run- ...£600-million giant has ...rought off. Arnold ...'s approach to business ...d its most arduous test ...e is the best-managed ...dustrial company in ...

...w has the trick been ...hat is so special about ...s style of business is ...plex and elusive than ...ppears. The principles ... worked out in Wein- ...st company, Radio and ...ter 1954 have survived ... techniques of applying ... modified and matured. ... one looks at GEC the ... learns, but here are the ...ents which make up the ... GEC is run today:

CONTINUITY

WEINSTOCK begins by saying that nothing has changed at GEC. What provides the all-important continuity with the past is that, "I am still dealing direct with the people who run businesses. The main difference is that I have a lot more help now. We have far more good managers, particularly from English Electric and Elliott Automation. And we are all having to work much harder now."

But the vital element is the fact that the GEC team has been working together for a long time now. At heart it is the same group which worked at Radio and Allied 15 years ago and then rationalised GEC. They have had more practice at doing this sort of job than any other team in British industry. They exemplify the Weinstock doctrine that "the only people who can run a big business are those who have run small ones successfully."

FREEDOM

THE HEART of the GEC approach thus involves taking managers with first-class brains and great determination to succeed and giving them a framework in which they are most likely to succeed. This is not just delegation on paper. It means a positive sense of freedom and even of exhilaration within the operating companies.

This delegated responsibility—and now we come to the unique Weinstock ingredient—is subject to a curious mixture of tight and loose control. A GEC manager is almost infinitely free to do well, and not at all free to do badly. There is very little formal interference. He is not driven where he does not want to go. No manager feels that Arnold Weinstock is taking his decisions for him.

GEC's loose structure reflects this freedom. There are no organisation charts. Most of the 80-odd principal companies are collected into a dozen groups but several are monitored directly from head office in Stanhope Gate. Some groups tightly control their companies while others are almost transparent, with "head offices" consisting of only one or two men. The pattern is always changing, and nobody cares whether it is neat or not. It is still each manager's job to run his own business.

BUDGETARY CONTROLS

EVEN THE famous system of annual budgets and monthly operating reports should be kept in perspective. Budgets are not the key to the running of GEC.

This is proved by the fact that there is no system for detailed amendment of each company's budget. By and large budgets go through. But the dialogue, the exchange of views at the budget meeting, the searching investigation and the sometimes blistering criticism which Weinstock and Kenneth Bond level at the assumptions behind each manager's budget, these are what count.

Even Bond, as deputy managing director with the detailed responsibility for financial control, says that "you can't run a business by budgeting profit." It is accepted that GEC as a whole tends not to make its budgeted profit. Managers who are optimists and then slightly miss their targets are preferred to ones who set cautious targets that are too easily reached. But if an optimistic budget were put forward to excuse an extravagant increase in costs it would be sharply rejected.

Weinstock describes the budgets as "illustrative of how well things are being done" and the monthly reports against budget as important for "background information." When things begin to go wrong what matters to the manager is not the bare fact that he is reporting figures worse than budget so much as his ability to cope with the immediate flood of questioning from Stanhope Gate aimed at finding out whether he really knows in detail what is going wrong and whether he has already begun to take proper corrective action. It is managers who then bluff and bluster who find themselves in trouble.

THE SEARCH FOR TRUTH

THIS CONTINUOUS dialogue between Stanhope Gate and the companies is dedicated to uncovering the truth in each situation. Businessmen like running away from unpleasant facts, but Weinstock's approach is exactly that of a good financial journalist, determined to cut through half truths and vague generalisations. One of his great strengths is that he never believes anything, and himself says that "all information is suspect."

So a great premium is placed on honesty in GEC. Rarely would a manager dare to tell a direct lie to Weinstock, but self-deception scores almost as badly. A manager is supposed to know what is happening, and his monthly accounts should only confirm what he already knows.

But this search for truth has not led GEC into establishing a vast army of financial analysts. For Weinstock manages by exception. It is the figures which catch his own eye which are investigated. The idea of accountants challenging managers about their figures is dismissed as quite degrading. Managers should only be chivvied by their clear superiors, never "messed about by bureaucrats."

CASH DISCIPLINE

RELYING so much on managers' honesty, and even leaving them discretion on how to prepare their own accounts and what to put into monthly reports, involves risks. To keep matters simple managers now have to put six standard ratios in every report. These are:—

- i Sales to capital.
- ii Profit to sales.
- iii Profit to capital.
- iv Sales to stocks.
- v Sales to debtors.
- vi Sales per employee.

These are compared with budget and with the previous year, so that if time is short a manager's report can be cleared within two minutes.

But even this leaves room for fudging and window-dressing. "Is the declared profit really there?" is a question which big groups find as difficult to answer as investment analysts, and this is why GEC scrutinises cash as closely as profit.

Every GEC company has its own bank account. Bond sees a record of all cash balances every day. If a manager says he is making a profit but his overdraft keeps rising "then I want to know why." The manager has no access to central funds, he is expected to cover normal capital spending out of depreciation, every month he has to pay a cash levy to head office based on his budget forecasts, and together this adds up to the most stringent discipline. This is the real control factor at GEC. "If you give managers access to cash then they never stop making their mistakes," Weinstock explains.

When a GEC company goes wrong, therefore, the typical pattern begins with harsh questioning from Weinstock. Is the profit right? Is the long-term being sacrificed to boost the short-term figures? What about the stock? ("If a manager is not turning his stock over fast enough it's usually because it is not there or else it is all 50 years old.")

A manager who can produce convincing answers is given a run, but his cash and overdrafts are watched. If they fail to match his promises, suddenly he finds Weinstock and Bond in his accounts department going through his invoices and stock records.

ADVICE FROM ABOVE

IF A MANAGER'S potential for failure is so severely restricted it is because GEC so obviously feels that failure is unnatural. Business success comes not from some magic formula but from hard work, attention to detail, and steady improvement—and these are things that can be insisted on. Success should follow naturally."

"Of course if we had a Weinstock in every single company," said one director, "and we did everything as it should be done we would be making £250 million profit a year. So we know we are not very good. But we do try to keep improving." And the GEC comment on one unco-operative associate was this, "If only we could get them to see how different things could be if only they made all the right decisions for two years."

There is in fact a great deal of advice available within GEC, again on an unusual pattern. Weinstock runs the companies, and nobody gets in his way. But at Stanhope Gate there is an umbrella of directors, who do not run companies, but offer specialist advice, keep the dialogue going and act as Weinstock's eyes and ears. Bond masterminds finance and David Lewis the legal and contracts work; chairman Lord Nelson is close to industry and big customers and Lord Aldington to the City; Tom Kerr, Ronald Grierson and Lord Trevelyan have a mass of overseas contacts while Bill Bird monitors massive multi-product contracts; Jack Scamp provides expertise on labour relations and joint deputy managing director Sandy Riddell knows the English Electric inheritance backwards.

All this is without administrative support. Stanhope Gate houses barely 100 people. Companies have to do their own staff-work and take their own decisions. But the directors are there to give top-level help, and at the same time to soak up information and opinions which find their way back to Weinstock.

THE GEC STYLE

SINCE GEC is governed so much by continuous exchange of views a GEC approach to management automatically develops. It means managers keeping unceasing pressure on their own costs but not being charged with the unpopular burden of paying for head office costs. It means autonomy in day-to-day business whereas contracts, which bring the risk of big losses in the future, are subject to detailed scrutiny from above.

It means the maximum of informality—this year it has even been found possible to cut out the capital spending budget—and the minimum of paperwork. It is a simple, not a lavish, style—the doubling of output at AEI's old Rugby works was achieved by better organisation and moving work faster with hardly any spending on new plant. The conviction that existing facilities could be made to yield much more output explains both GEC's low capital spending and its willingness to get rid of so many inherited factories.

Technology is kept in its place. What is significant is not that GEC spends a total £60 million a year on research and development, but that £54 million of this is spent for and by the operating companies themselves, which means by line managers who have to prove that it is needed for the commercial health of their own companies.

Above all the GEC style means speed and decisiveness. Here is Weinstock on the thorny subject of factory closures: "Never mind the pressure from other people, you must do what you think is right and that is that. You must not make the wrong decision because you are affecting a lot of people. But you want to get it done now and move on to build the next stage." Weinstock has the gift of making swift action seem inevitable.

"If you make a careful assessment of a problem, and set out all the pros and cons, it is often perfectly clear which is the better course to take.

"So you do it. Or you'd never do anything."

THE GEC MEN

DESPITE THE dominance of one man, GEC is more of a team effort than most companies. Because bad managers have gone, good ones have emerged. They exult in their freedom and responsibility because if they did not they would not last. The feeling of being helped rather than hindered from above is strong. Because people know who is running what there are hardly any internal politics at GEC.

Weinstock spells it out in these unexpected words. "People must be unselfish. Everyone must feel his colleagues are working for GEC. They are going into the trenches together and they want to feel that they are all going over the top together. They should not have to look back to see if anyone is slacking or hanging back."

This is undeniably a ruthless attitude — although Weinstock would prefer to use the word "objective." If a factory only needs half its present labour force then the best way of halving that labour force has to be found. Managers are equally at risk. If they do not fit they go. But practice differs from the myth. "We never sack for ability—people are simply more or less able—but for their approach to the job. If a man fails because of a weakness, if he is not frank, if he has self-delusions, if he is trying to use the business to bolster his own ego, if his overdraft is rising and he goes off playing golf, then he is out."

It is still a rough school. But the men who have mastered the GEC approach, and are confident enough to live with the risks, are as impressive a bunch of managers as I have ever met.

ARNOLD WEINSTOCK

IF THE PERSONALITY of Arnold Weinstock is the key to GEC, it would still be wrong to think of him as some kind of superman. At the end of the day his contribution is simply this: an unflagging determination to find out the truth and then do the right thing.

For this he needs to be, and is, very intelligent and very tough. But there are plenty of people with those qualities in Britain. Weinstock's unique characteristic is a kind of innocence—because he began at the top of a small company and has not personally worked his way up through the ranks of industry he has never learned to compromise his standards, to do things badly, or to master the hotch-potch of panic and muddle that passes for management in so many places.

But this still does not add up to a magic ingredient. There is nothing about GEC that could not be repeated in any other company, given the determination. There are any number of managers who could perform as well as the GEC managers given the same environment.

The tragedy is that most big companies are so organised as to make it virtually impossible for such an approach ever to develop. The biggest test now facing Arnold Weinstock—one of which he is fully conscious—is whether he can preserve this spirit within GEC and bring to the top people who will themselves be able to carry it on when he has left.

PERGAMON PRESS

The minutes of an extraordinar

On Tuesday, the Inspectors appointed by the Department of Trade and Industry published the first instalment of their long-awaited inquiry into the affairs of Pergamon and the other companies associated with Robert Maxwell. It is a remarkable report, of far wider interest than the inside story of Pergamon. But the actual content of the report has had little coverage. Within hours of the publication of the report Maxwell called a Press conference at which he announced that he had issued a writ for "declaratory relief"—in other words asking for the report to be officially declared null and void. He also threatened to sue for defamation the Department, the Inspectors and even the witnesses heard by them. Finally, he accused the distinguished Inspectors—Sir Ronald Leach and Owen Stable, QC—of unfairness, inaccuracy and of having conducted a "smear and a witch hunt."

Maxwell's activity had the effect of upstaging the Inspectors' report in the next morning's papers. Certainly, the detailed evidence of the report, as opposed to its summarised conclusions, received very little coverage. Business News therefore gives fuller extracts from the report—available from the Stationery Office at £3.

ROBERT MAXWELL'S extreme dislike of the Department of Trade's Interim Report on Pergamon Press has apparently blinded him to one of the most remarkable features of this 100,000-word document.

He cannot be expected to welcome a report which says he is not fit to run a public company—indeed, he says it is a "smear and a witch-hunt," and is trying to get it withdrawn. But he can scarcely be correct in saying that it savages him, while "letting the City Establishment down extraordinarily lightly."

Rarely, if ever, have inspectors appointed under Section 165(b) of the Companies Act submitted a report which is quite so scathing about quite so many important men and institutions. To summarise a few points:

● Michael Pickard, now *managing director* of the £100 million Trust Houses Forte group, is quoted as defending business standards which the Inspectors think "leave much to be desired." He is said to have taken part in the switching of dates on legal agreements, and to have re-written the minutes of a meeting to give the impression that business was done at a time when it was not done. And he is said to have taken part with Maxwell in the declaration of an improper dividend.

● Sir Charles Hardie, chairman of the British Printing Corporation, is said to have helped draft an announcement which overstated twelvefold the value of assets put in by BPC when starting a joint venture with Maxwell—and then to have given evidence to the Inspectors such as might have shifted the blame on to an innocent junior subordinate.

● Victor Bishop, a deputy-chairman of BPC until 1970, took part also, it is said, in drafting the same misleading announcement, and also was "less than fair" to the same subordinate at BPC. He is also said to have taken part in the declaration of an improper dividend.

● Angus Hewat, a partner in *the solicitors* Allen & Overy, was concerned in transactions when false dates were put on documents. Because of his firm's "impeccable reputation . . . in the City of London," the Inspectors assumed that what he told them "repre*sented the true position.*" Later, they say they found that it did not, and that he "could have been more forthcoming" in his evidence.

● Bruce Ormrod, a director of the merchant bank Henry Ansbacher & Co, was concerned in two takeover bids on behalf of Robert Maxwell and Pergamon Press. In one case, the offer documents contained a statement which Ormrod knew to be false, and in the other the documents contained a statement which was not factually justifiable and which was Ormrod's responsibility. (Ormrod has since resigned, and left the country.)

● Isidore Kerman, a solicitor of 44 years' standing and senior partner of Forsyte, Kerman and Phillips, was involved as a Pergamon director in both of these takeover bids. The Inspectors say that he must share with Maxwell and Ormrod responsibility for the failings of the offer documents: they "did not find particularly endearing" his unjustified attempts to shift the burden onto another firm of solicitors.

As well as individual predicaments, there are crowd scenes, such as the "unhappy" meeting on August 21, 1969, at the offices of Robert Fleming & Co, merchant bankers. This was just after the US conglomerate, Leasco, withdrew its £25 million bid for Pergamon—citing, among other worries, the financial condition of the Pergamon/BPC joint venture, International Learning Systems Corporation.

Some of the accountants, lawyers and bankers gathered to advise Pergamon, to advise BPC, or to advise advisers about their advice, were probably somewhat weary and at odds with each other. (Fleming's were on the point of *breaking their connection with* Maxwell and Pergamon.) This, the Inspectors think, helps to explain why the meeting produced an unrealistic public statement about the condition of ILSC, which declared that "the management accounts of ILSC *show* that it is now trading profitably."

"The fact is," the Inspectors write, "that at this stage the truth about ILSC was most unpalatable. Its records and accounts were in a shambles . . . It is most unfortunate that a meeting attended by a large number of professional men of integrity . . . should have resulted in a document which is so open to criticism."

The firing of two executives

THE REAL significance of the Inspectors' report is that it presents, coolly and factually, a startling picture of manners and methods in upper levels of British business. According to the Inspectors, Maxwell is nearly always in the picture: they show him—among other things — using confidential information to sabotage business rivals, making misleading statements to Pergamon shareholders, issuing a falsehood in a takeover operation, signing the minutes of a meeting which never took place, and pretending to be ignorant of adverse financial reports.

There are revealing human incidents, as well as large financial gambits. Here is the Inspectors' account of the removal of two senior executives from ILSC:

"On May 15 1968 Mr Maxwell removed Mr Le Bas and Mr Jenman from their appointments . . . by dating resignation letters which he had required them to sign undated." (Le Bas was managing director, and Jenman his sales director: apparently, someone employed in Australia went to Maxwell with allegations against Jenman.)

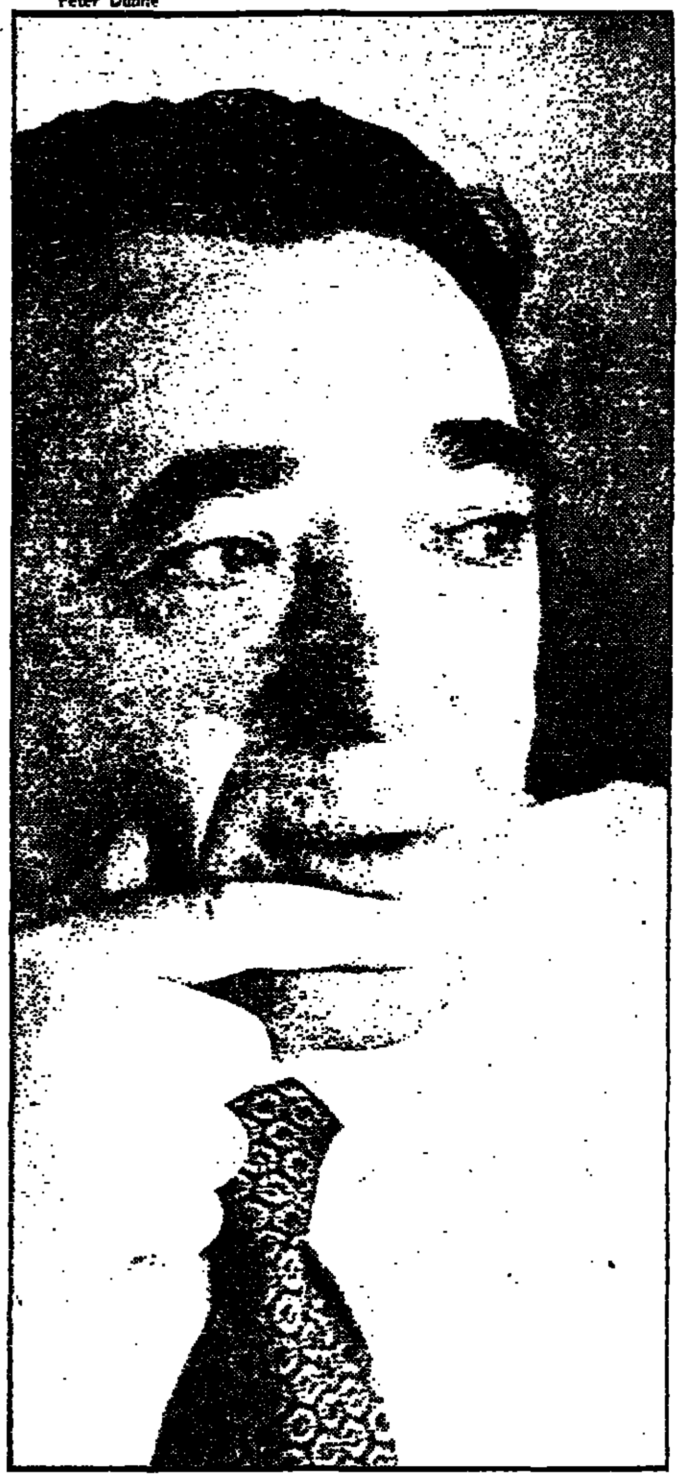
"The terms of the letter of complaint are such that we would have been sceptical of it," write the Inspectors. "But Mr Maxwell acted within the day (against both men) without asking them whether the allegations were true or giving them any opportunity to say anything about them."

The Inspectors say that they do not think any allegations against Le Bas could have been made out, although they cite evidence suggesting that Le Bas tried to stand up to Maxwell. One year later, recounting the history of ILSC to Leasco, Maxwell said Le Bas was fired because he was "too fond of liquor." The Inspectors believe that at the time of his dismissal Le Bas was "an abstainer."

Last week, Maxwell himself was complaining that he had been denied "natural justice," although he had five weeks to refute the Inspectors' report before it came out in public.

This report deals only with Pergamon's affairs insofar as they are affected by ILSC: others will deal shortly with Pergamon accounts in wider terms. It was, according to the Inspectors, Maxwell's own wish that ILSC should be treated first. Their report begins with the circumstances in which Maxwell went into the encyclopedia business in partnership with the British Printing Corporation.

Peter Dunne



Robert Maxwell in reflective mood and (right) at last week's Press conference

The sabotaging of Caxton Publishing

CAXTON PUBLISHING in 1966 was making trading profits, although it was rather short of ready cash. The firm, run by Hedley Le Bas, grandson of the founder, sold the New Caxton Encyclopedia, and this was clearly a threat to the 4th Edition of Chambers's Encyclopedia, published by a Pergamon subsidiary, Buckingham Press. "It was not surprising that Pergamon . . . wanted to acquire Caxton."

And in May 1967 Ansbacher's, bankers acting for Pergamon, made an offer for Caxton Holdings which was successful. It amounted to £1 for each preference share and 8s for each ordinary share.

Le Bas complained to the Inspectors about the background to this deal, saying that "Maxwell obtained confidential information about Caxton's business by employing a person to whom Caxton had given notice . . . that he used that information to sabotage Caxton's South African business and that having done so he opened negotiations to buy Caxton at a time when Caxton was handicapped by the virtual destruction of its business in South Africa."

Maxwell denied there was "a scintilla of truth" in this.

However, the Inspectors found that "about the time Buckingham zrought out the 4th Edition of Chambers's Encyclopedia, Mr Maxwell engaged the services of a Mr L. C. Schilling, who had been secretary of Caxton." Then, at the end of 1967 Maxwell arranged for the head of the Caxton sales force in South Africa to come and see him — and in February 1967 sent a Buckingham vice-president, Philip Harris, to South Africa.

Harris told the Inspectors that Maxwell wanted him to "knock off the Caxton sales force in South Africa," to bankrupt Caxton so that would buy it cheaply." Maxwell, according to Harris, knew Caxton's vulnerable point in South Africa:

"A rather precarious financing arrangement . . . if their sales fell below a certain level for a *period of time, guarantees fell* due in London, which they would not be able to meet."

The Inspectors also record that "Mr Harris told us . . . that the source of Mr Maxwell's information was Mr Schilling," and that Harris was able to switch the whole Caxton sales *force over to selling for* Buckingham in just 48 hours.

The Inspectors questioned Schilling about Maxwell's sources of information:

Q. Where do you think that Mr Maxwell got all his information. . . ?

A. Mr Maxwell has his own means and methods. I just do not know. He was a very well-informed man; there is no question about that. . .

Q. What would you have done if Mr Maxwell had asked you to disclose something which you had come by as a result of your appointment as Secretary to Caxton?

A. I would have said "I am sorry, I do not know." Asked to describe Mr Maxwell, Mr Schilling said: "He is tough, hard. . . One never knew quite what was behind some of the decisions that he made."

The Inspectors say: "We do not find Mr Schilling a very convincing witness."

Le Bas told the Inspectors that the destruction of Caxton's business in South Africa cost him the difference between 8s and 10s a share. Whether this was accurate or not, Le Bas "must have been at a considerable disadvantage in the nego*tiations.*"

Michael Pickard was an interested observer, as finance director of BPC, printers to both encyclopedia firms, and he felt that although "the Caxton management were tending to be poached . . . it was a *perfectly standard commercial* tug of war." This, the Inspectors say, "seems to use to depend on where you maintain your standard."

Another disadvantage for Le Bas was that he did not know where BPC stood. The *offer documents* issued by Ansbacher's said that Pergamon did not have any agreement to transfer Caxton shares to anyone else—but in fact Maxwell was negotiating to sell 50 per cent of Caxton to BPC as soon as he had acquired it.

Le Bas went to Pickard for advice about the bid, and to see if BPC might be interested in bidding against Maxwell. Pickard said BPC could not make a counter-bid, and advised Le Bas to take Maxwell's terms. Neither Pickard nor Maxwell revealed to Le Bas that they were already negotiating with each other.

Le Bas considered his treatment by BPC "abominable," and the Inspectors conclude that Mr Maxwell was responsible for Caxton shareholders being misled. But Caxton was taken over by Pergamon: the first step towards the formation of ILSC.

The law 'kicks up a rumpus'

ESSENTIALLY, ILSC was just the Buckingham and Caxton encyclopaedia businesses, put together with some BPC partwork interests, labelled with a grand name and owned half-each by BPC and Pergamon. But "the method . . . by which ILSC was clothed in legal formality is complicated," and further complications followed over adjusting ILSC's capital structure. "The records of BPC and Pergamon with regard to their respective shareholding in ILSC show that some of those concerned . . . were in a state of muddle and confusion even as to what shares were issued and to whom."

Although the joint venture actually started operating in mid-1967, the legal agreements which set it up were not finally executed until March 1, 1968. They were then dated as though they had been executed in December, 1967, and Pickard altered the minutes of a BPC subsidiary to fit in with the pretence.

"It is conceivable that those principally concerned—Mr Pickard, Mr Hewat (of Allen & Overy), and Mr Di Biase (of *Forsyte, Kerman & Phillips*) — thought that by making the agreements executed on March 1, 1968 . . . appear as if they had been executed in 1967, argument with the auditors and the Inland Revenue would be avoided . . . Whilst we think there was an element of deception, we are satis*fied that there was no intention* on anyone's part to defraud . . ." (The Inspectors conclude that Mr Hewat regretted having done this, and did so only to expedite agreement on the matter.)

Delay and complexities may have arisen partly from the fact that both BPC and Pergamon, instead of doing the deal directly, were acting through normally-dormant subsidiaries "for tax reasons," the nature of which is not explained.

On August 17, 1967 (i.e., when the joint venture started up) Pergamon and BPC a joint Press statement d ing ILSC to the busines munity. The Inspector ment very adversely o statement, *because it sug* that BPC was putting worth £600,000 into (They seem to take th that because Press stat actually affect market o they must be treated scrupulously as more business documents.)

BPC did transfer stock to the new compan the rest of the £600,0 sisted of debts owed by ILSC's ancestor, Publishing. The deb mained payable to BPC. remained assets in BP *ILSC. Neither* Di Bia Hewat were very happy such "assets" produ public, but they did no their objections ver "Those responsible for ing the Press statemen not particularly forw claiming authorship," s Inspectors.

Q. (To Pickard) I kn took no part in drafting th release, because you had to Le Touquet . . . Wh returned . . . were you about what had been pu

A. I must admit I remember being very wor its contents . . . I thought luck to anybody who unde it," but by and large it f what we had done.

Sir Ronald Leach a Charles Hardie—possib two most eminent accou in the country—did n eye to technical eye on

Q. (from Sir Ronald L think there is confusion b cash flow here and actua transferred.

A. (Sir Charles) It is a of liabilities . . .

Q. (Sir Ronald) I do no they were released, you s unless the debt was ca . . . I imagine you did into this in any detail time?

A. (Sir Charles) No, no recollection of that .

The lawyers' a emerges in the evide Di Biase:

Q. How did it come ab

A. I am absolutely that it was at his (Hardi tiative that the figure serted . . .

Q. And you and Mr what is your recollection reaction?

A. Well, we said " clearly not so. This is asset that is being trans But Di Biase said he and were "brushed aside by cerned."

Mr Maxwell recalle occasion in blunt terms. the inspectors that: "T kicked up a rumpus abou thing."

Only when he was through the argument by Stable, QC, did Maxwel realise the implications:

Q. As I understand it t debt remained, albeit fr the books.

A. *Quite right.*

Q. One of the things I prised at is, you did no it out of the books, bec you reckoned the £600,000 included the . . . debt—

A. A very good point right.

Continued on opposite p

General shambles and disaster

PERGAMON PRESS

nued from previous page

I may say so, I am sur- to see you miss such a slip

uite right. I can see the f these inquiries.

ing strongly criticised ce from Sir Charles and Victor Bishop suggested that the error have been caused by a accountant, the Inspec- onclude: "This is an factory story, and the ce is confused. We do nd that the error and resentation arose out of A false impression was r conveyed and we having to say that this example only of the a l and unbusinesslike r in which the affairs of vere carried on."

dividends that e out of nowhere

INSPECTORS RECORD on October 11, 1967, it nnounced in the Press Pergamon proposed to through Ansbacher's, to acquire all the issue of Butterworth & Co." w publishers). The offer out on October 23, 1967. move was greeted with enthusiasm in the finan- ress. John Davis in the er quoted Maxwell as that this was the first e had "really challenged stablishment in public." Inspectors draw "par- attention" to one sen- in the offer document, was signed by Bruce d, a director of Ans- 's:

e Board of ILSC has in- d Pergamon that sales rofits for the first three s of operations are run- t the level forecast when rangements were nego- "

"arrangements" were out, in the Inspectors' as to give a reader of the locument the impression he newly-formed ILSC arranted to make at least 00 profit a year.

profits of ILSC were relevant to the Butter- s offer, since Maxwell ffering either Pergamon or cash to the Butter- s shareholders: and ILSC)% owned by Pergamon. SC was indeed making profits, this would make re attractive to accept non shares in exchange tterworth shares.

Inspectors first asked rmrod about the source s statement:

was told categorically by axwell," he replied, "that obtained this information ting from ILSC. I was at n not getting a copy for n records."

Inspectors cite evidence hout the report to sug- hat Maxwell was in fact iding force at ILSC. But Bishop, who represented s chairman of ILSC, gave ice that "the manage- information of ILSC was lar and insufficient until March or April, 1969."

. J. Pollock, a director C, was asked by Mr Owen whether the board of ILSC would have been capable in the autumn of 1967 of informing the board of Pergamon about profits for the first three months of operations. Pollock said:

"I would have thought we could never have made a statement of that kind."

The Report cites a minute of an ILSC board meeting on September 17, 1968, which recorded that Maxwell had been informed by the auditors that "the whole of the accounting and book-keeping of ILSC was in a deplorable state and that in the months of July, August and September, 1967, insufficient records had been kept by some overseas branches."

The Inspectors conclude that the management of ILSC did not have reliable information at the time of Pergamon's offer for Butterworth, "and that Maxwell was aware of it at least before the final date by which the members (i.e., shareholders) of Butterworths were required to have delivered their acceptances."

The joint auditors to ILSC, Cooper Brothers and Chalmers Impey, confirmed the inadequacy of information.

The Inspectors heard evidence from a Mr G. A. Hazard, a chartered accountant who resigned as secretary of ILSC in March 1969 "because some accounts, which he had prepared under Maxwell's direction, were in his opinion misleading." Hazard produced to the Inspectors:

"A report that I did for Maxwell when I arrived on the state of the books and they were in a very serious state. We in fact decided, because they were so bad, to rewrite or reconstruct the books for the whole six months."

Mr H Moppel became financial director of ILSC in December 1967. The Inspectors asked him what accounting and management information he found when he took up the job which had been available to the board. He replied:

"The simple answer is none whatsoever."

The two Pergamon directors who were also ILSC directors were Maxwell himself, and Isidore Kerman. Kerman was asked to comment on the statement that "during the first three months' operations nobody had the foggiest idea of how the profits were running." He said:

"Well, I do not agree. As I said, I think every month we had detailed figures, and I have no doubt they showed the company was making a profit at the time."

The Inspectors write:

"In his evidence, Mr Maxwell insisted that BPC had been sent a copy of the Butterworth offer document. When told that Mr Pollock had specifically denied having seen it . . . and when told that Mr Hewat (BPC's solicitor), had said . . . and when had never seen the offer document, Mr Maxwell said:

Hedley Le Bas: fired by Maxwell

'I am amazed. That is all I can say. It is incomprehensible to me.'"

On the same point, Maxwell said:

". . . I want to say I have a feeling that on that very thing I had Mr Bishop and Mr. Pollock or Pickard, or all three come to Pergamon at 4 Fitzroy Square, to see this prospectus, and I may even have something with his writing on it: on Butterworth, very specifically because Ansbacher's wanted me to be absolutely certain that BPC saw it.

Q: They saw it?

A: Yes, and agreed."

The Inspectors comment that the following denial was made on behalf of BPC in the presence of two directors, the company secretary and the company's solicitor: "Absolutely not, we never saw that."

The Inspectors asked Maxwell to tell them how the board of ILSC informed Pergamon about sales and profits for the first three months:

Maxwell: "The recollection that I have is that this circular like any other as it mentioned ILSC went to Mr Bishop. I believe he and Pickard, or he and Pollock, or all three, came to Fitzroy Square, and saw this circular and approved it. Now you will recall that in the hunk of transcript which you read, Mr Bishop says words to the effect that this must have been the same thing as on the occasion of the News of the World (*a takeover attempt by Pergamon in 1968*) when I rang up Hill Samuel, and said BPC cannot associate ourselves with it."

"Q. Yes.

"A. Well, you have here immediately a very good independent source to check that statement of Mr Bishop's by, by going back to Hill Samuels.

"Q. Certainly.

"A. Hill Samuels were the bankers for the British Printing Corporation, . . . the partner handling the matter . . .

"Q. MacDonald.

"A. Absolutely right. . . . I cannot believe he would have released a document saying that the ILSC board had approved of something, when the managing director of the parent company, and a member of the ILSC board—he would have been in gross dereliction of this duty and I cannot believe that Mr MacDonald or anybody else would maintain. . . .

"Q. (Mr Stable) wait a minute, I think we are going at slightly cross purposes.

"Q. (Sir Ronald Leach) I think that you are moving on to the News of the World. . . .

"Q. No, I was not, I was merely dealing with the analogy he gave in the hunk of evidence which you read out . I was merely drawing attention to the fact that this analogy, as I do not have. . . .

On a later occasion he was asked whether he had been able to find any letter signed by a director of ILSC informing the directors of Pergamon that the sales and profits for the first three months of operations were up.

"Not yet."

The figures that weren't mentioned

Finally Maxwell did cite a document: a report by the Pergamon auditors, Chalmers Impey, on the profitability of Caxton, one of the components of ILSC:

". . . The Chalmers Impey report was July 31, 1967, which fits as the only document to that date showing profits for Caxtons for the 53 weeks' period ending June 30, 1967, at £227,734. So if I can now find the Buckingham calculation. After I found these papers I merely know what the basis is, I have got to relate them back to ILSC and what was the back-up for the statement that the Board of ILSC informed Pergamon, who did the informing and how was that done. I am sorry we are still a bit off."

Chalmers Impey, according to the Inspectors, could not trace any such report. Then on March 19, 1971 Maxwell's solicitors—now Lewis Silkin & Partners—sent to the Inspectors:

"a copy of a letter dated July 31, 1967 written by Chalmers Impey to the directors of Pergamon. This letter was not concerned with the profitability of Caxton . . . Nowhere in the letter is the figure of £260,000 or £227,734 mentioned"

Remarkably, dividends were produced out of this sadly disorganised company (which was found, when its reports were finally audited, to have made a trading loss of £3,687,000 between the start of the joint venture and October, 1969). The Inspectors write:

"There are two minutes in the minute book, both signed by Mr Maxwell, purporting to be minutes of two meetings said to have been held on December 29, 1967. The first states that the Chairman reported that owing to the long process of integration in ILSC the accounts for the 53 weeks ended the 30th June, 1967, were not ready to be considered. The second reads as follows:

Payment of Interim Dividend

It was resolved that a first interim dividend of £200,000 be paid on account of investment. . . .

We are of the opinion that there was no board meeting at which it was resolved to pay the first interim dividend. . . ."

". . . We can find no justification for the payment of the first interim dividend on December 29, 1967, nor for the manner in which the decision to pay the dividend was made. In our opinion Mr Maxwell and Mr Pickard were the directors responsible . . . they were determined that a dividend should be paid so that the profits of the two parent companies should include a return on their investments in ILSC. . . .

On June 4, 1968, the board held a genuine meeting, and resolved to pay another interim dividend: this time of £187,500 for the six months to June 30, 1968. The Inspectors comment of this dividend:

". . . At least the declaration of it was made at a board meeting, although . . . there were no accounts produced to the meeting according to the minutes. . . . To justify the payment of the second interim dividend there should have been a cumulative pre-tax profit of approximately £723,000. . . . In our opinion there was not sufficient information available to the Board . . . to have concluded that such profits had been made . . ."

Possibly the most wondrous paragraph in the report is No. 180, which deals with the capital structure of ILSC. Even though there is not room to fully elucidate it, it is worth quoting:

"In our opinion the muddle and confusion which resulted in the shareholders of BPC being told that BPC's holding was 2,000,000 shares of 10s. each, while the shareholders of Pergamon were told that Pergamon's holding was 1,000,000 shares of £1 each, at a time when some of the shares were held by Caxton Holdings and there were no £1 shares, shortly after BPC and Pergamon set their seals to a deed reciting that each held 1,000,000 shares of 10s. and 500,000 of £1 each, again at a time when some of the shares were held by Caxton Holdings and none were £1 shares, stems from and was caused by the fact that no meeting took place on January 30, 1968, of the Board of ILSC at which it was resolved that the authorised share capital of ILSC be increased from £1,000,000 to £2,000,000 and we are of the opinion that no Extraordinary General Meeting took place on that day.

"We think that the minutes were brought into existence to clothe with some semblance of formality a decision between Mr Maxwell, whose signature appears on the minutes, and BPC, taken without any regard to the restrictions on the powers of the directors of ILSC as set out in the Articles of Association, without regard to the method of altering the capital as set out in the Articles of Association and without regard to the views of other members of the Board of ILSC."

(Just before it was absorbed into the joint venture, Caxton Publishing reduced its reserves, rather surprisingly, to nil. The £47,453 thus released was paid out, on Maxwell's authority, as a final dividend, which never came to the knowledge of the BPC directors.)

When Leasco bid £25m . . .

THE INTERNAL CONDITION of ILSC was of course still secret in summer 1969. And when Saul Steinberg's Leasco made its £25 million bid for the Pergamon group, ILSC was still thought to be a promising Maxwell brainchild. On May 17, 1969, Maxwell wrote to Bernard Schwartz, president of Leasco, and dealt among other things with prospects for ILSC. The inspectors quote from the latter, and criticise it:

"(a) BPC have recently been doing all they can to depress the value of ILSC in the hope that they might buy it cheaply; a consequence of this is that the price of Pergamon shares has been adversely affected." ("We have not come across a scintilla of evidence to justify this statement. Mr Maxwell . . . produced none."

"(b) For the first year the business was being run with my consent by the founder of Caxton Publishing Company, and the protege of BPC, Mr Le Bas, whom I had to fire because he was too fond of liquor. . . . It was not until after the battle for the News of the World towards the end of last year (1968) that I realised the inadequacy of the then management . . . I then took on . . . the day to day management." (The Inspectors declare that liquor had nothing to do with the firing of Le Bas, who was an abstainer at that particular. time. They also say it is "not true" that Maxwell only took over active direction late in 1968.

"(d) I also enclose . . . a copy of the first quarter's management accounts and profit forecast prepared on a most conservative basis." ("We have not found a single item of any forecast or management account which has been drawn on a conservative basis.")

"(e) If it were not for BPC's fear of me (because I attempted to take them over last year) and their consequent desire to sever the partnership, then I doubt we would have had any difficulty over the accounts. ILSC made a substantial profit for its first 18 months of trading. If, as is the American practice, ILSC capitalised for the shareholders approximately half of the £2 million expended in the trading period . . . for developing and opening up new territories . . . then ILSC will show a profit of about £800,000. If, however, UK practice prevails, whereby we write off the bulk of this development expenditure . . . then we shall end up making neither a profit nor a loss, but our profits will of course be enhanced in 1969, 1970 and 1971."

The Inspectors write that this paragraph was "recklessly optimistic . . . Mr Maxwell must have known that the differences over the accounts had nothing to do with BPC's fear of him or their desire to severe the partnership. The differences over the accounts were due to ILSC being unable to produce them in an audit able state. . . . When audited accounts were eventually produced they showed that ILSC made a loss of £2,598,000 in its first eighteen months trading and that the accounts for the next nine months showed further losses of £1,089,000 in that period. In these circumstances, we think Mr Maxwell was not justified in writing 'ILSC made a substantial profit for its first 18 months trading.'

". . . We do not think there was ever a moment of time when ILSC was 'running well.'"

SOME OF THE TOP BUSINESSMEN WHO GAVE EVIDENCE TO THE INQUIRY

MICHAEL PICKARD was finance director of BPC when BPC went into partnership with Maxwell. Now managing-director of Trust Houses/Forte, at 38, is "one of the most powerful young men in British industry" (Sunday Times, 1970). Doesn't believe in 'long-term profits, but that "does not mean I don't plan ahead."

BRUCE ORMROD was joint managing director of Henry Ansbacher, the merchant bank which floated Pergamon and acted for the Beatles in their attempt to get a controlling interest in Northern Songs in 1969. He joined Ansbacher in 1956 after seven years in the South American oil business.

SIR CHARLES HARDIE, chairman of BPC, former chairman of BOAC and the White Fish authority—"the City's super-accountant." Chairman of the Vokes Group and director of several other concerns. Says: "I wouldn't take on anything I hadn't got time for," and claims a photographic memory.

RICHARD FLEMING, 60, is the younger brother of Ian and Peter. He is chairman of Robert Fleming and Co, merchant bankers to Pergamon in succession to Ansbacher's. Fleming's investment section has been described as the "largest single investor of money in this country" (Times, September 25, 1968).

ISIDORE KERMAN, solicitor, and Maxwell associate of some 15 years' standing. Articled in 1927. Mr Kerman used to be on the board of Jack Cotton's City Centre Company, but was removed soon after Cotton's death in 1964.

VICTOR BISHOP, an accountant, succeeded Wilfred Harvey as managing director of BPC in July, 1966 at a salary said to be over £17,000. Aged 50, he was previously with Massey Ferguson and a director of Perkins engines. He resigned from BPC in June, 1970 after "differences of opinion."

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The continuing expansion of the manufacturing capacity of the Hoover factory at Cambuslang has created a vacancy for a highly qualified Plant Engineer.

The Engineer appointed to this senior position will assist the Chief Plant Engineer in the administration of a department responsible for the installation and maintenance of plant, buildings, and equipment.

Although acting as deputy to the head of the department, he will have particular and personal responsibility for the important field of electrical and electronic maintenance of sophisticated modern machine tools and test gear and will install a planned maintenance system in this area.

He will be capable of liaising with production engineering and allied functions in the purchase, try out, and acceptance of new plant and equipment.

For a position at this level, minimum qualification of H.N.C. and probably graduate or A.M.I.E.E. are required together with at least five years' experience at supervisory management level in the fields for which he will be responsible.

The salary and conditions of employment will be commensurate with the managerial and technical responsibilities of the position.

The pension, medical insurance, and other benefits will be attractive.

Cambuslang is located within easy reach of many pleasant and attractive residential areas.

Please apply to: J. B. BENSON, Employment Manager, HOOVER LTD., Cambuslang, Lanarkshire, quoting reference 29442/14.

HOOVER

H.M. Inspectors of Electrical Engineering

Mines and Quarries

These Inspectors are responsible for all safety matters relating to electric[al] plant at coal mines, miscellaneous mines and quarries. They carry ou[t] stringent checks on plant and related operations: investigate accidents an[d] dangerous occurrences; and generally promote high standards of safety.

Candidates (men only) must have achieved *either* a good honours degre[e] in electrical engineering plus completion of a two-year apprenticeship [or] equivalent basic engineering training: *or* corporate Membership of th[e] Institution of Electrical Engineers. In addition, at least two of the last fiv[e] years must have been spent in a responsible post concerned with the us[e,] examination, testing and maintenance of electrical engineering plant at co[al] mines. Considerable travel is involved.

There are two appointments to be made, one of which may be out [of] London. Starting salaries could be above the minima of the followin[g] scales: £3687 to £4565 (Inner London), £3512 to £4340 (Provinces)[;] non-contributory pension; promotion prospects to posts commandin[g] salaries in excess of £5000. Salaries are currently under review.

Fuller details of these appointments may be obtained by writing to th[e] Civil Service Commission, Alencon Link, Basingstoke, Hants., [or] telephoning BASINGSTOKE 29222 ext. 500 or LONDON 01-839 165[...] (24-hour "Ansafone" service). At all times please quote T/7761/S[...] Closing date 9th August, 1971.

DEPARTMENT OF TRADE & INDUSTRY

Why do we value a good Project Engineer?

Simply because he affects our future business so much. We rely on a small but select team of Engineers to take their respective projects from start to finish. Each man has at least one project of well into six figures and the Chief Project Engineer expects him to be responsible for the planning, design, and internal development as well as plant purchase and commissioning.

The industry is high speed canning and packaging and the Company is Britain's leader in the prepared pet food industry with sister companies on the Continent, Australia and the U.S.A.

Also we are thinking about the future and a good Project Engineer can earn himself management experience outside his department. Indeed this vacancy has arisen because one of our young Project Engineers is being transferred to the Continent for two years.

If you are a Mechanical Engineering graduate, aged around 30, and can show a record of effective problem solving and implementation, you may be the right man. We expect to pay between £3,000 and £3,500 per annum along with non-contributory benefits. Generous assistance for house removal will be given.

Petfoods Limited

Please write or telephone for a personal history form to Stephen Wilcock or Vivienne Smith, Petfoods Limited, Melton Mowbray, Leicestershire. Tel: Melton Mowbray 4141.

Assistant Chief Work Study Engineer

Applications are invited from qualified engineers to join our Works Study team. The successful applicant will be responsible to the Chief Work Study Engineer for the normal operations in the department of setting and controlling time standards and piece work prices. He will also assist in the preparation and introduction of a new wage structure.
Candidates should be in the age range 35-40, experienced in controlling staff, and in conducting Trade Union negotiations in a high volume engineering climate. Up to date experience in the applications and control of modern pay structures other than piecework is essential. H.N.C. is regarded as the minimum qualification and a relevant professional qualification is desirable. A good starting salary is offered and the terms of employment include an attractive pension scheme.
Detailed applications, which will be dealt with in the strictest confidence, should be addressed to

Electrolux

The Personnel Manager,
Electrolux Ltd.,
Oakley Road, Luton, Beds.

Data Transmissi[on] Engineer

The British Railways Board invite applications for the po[st of] Project Control Engineer to work on the installation of th[e] freight information and transit control system. This is a n[ew] and advanced system which it is planned to introduce o[n a] nationwide scale for the more effective control of freight traffic movement.

The person appointed will be based in London and will b[e] responsible for the installation of tele-communications [...] equipment for a large scale real-time on-line computer s[ystem.] He should have had experience of directing similar insta[llations] together with a good broad knowledge of telecommuni[cations.]

He should also be a Chartered Engineer and preferably h[ave a] University degree.

Starting salary will be not less than £3,300 p.a. There is a contributory pension scheme and the transfer of existing pension rights can be accepted. There are also free and reduced rate rail travel facilities.

Applications, giving age, education, qualifications and present salary, should be sent to
**Principal Management Development Officer
British Railways Board
222 Marylebone Road, London NW1 6JJ
quoting NOM No. 1596/2**

Design for tomorrow with Kent Instruments today

UNIQUE OPPORTUNITY FOR DESIGN ENGINEERS to join one of the leading manufacturers of industrial process control instrumentation in its present 60-strong Design and Development Department. Responsible for the Company's future product design, the Department is required to bring forward fully specified equipment acceptable to international markets.

We require a select number of young, graduate level Mechanical and Electronic Engineers capable of producing designs which are technically excellent and also economic in manufacture. Present requirements are in the fields of:
Electronic circuit design
Electro-mechanical devices
Small mechanisms

Successful applicants will join one of the compact teams working on specified projects and will be encouraged to contribute to the overall aims of the Department.
Commencing salary will be highly competitive with career advancement possible through the Company's Management Development Plan.

Engineers who feel able to offer the required dynamic contribution should write in confidence to the:
STAFF PERSONNEL OFFICER,

Kent Instruments Limited
Biscot Road, Luton
Bedfordshire
Telephone: Luton 21151

the GEORGE KENT group

chief process engineer

Woodall-Duckham Limited, designers and constructors of processing plant for the chemical, steel, oil, coal, gas and glass industries, wish to appoint a Chief Process Engineer to undertake responsibility for the supervision of all process engineers and process engineering activities. He would be answerable directly to the General Manager, Process Division.
The man most likely to be appointed will be a graduate in chemical engineering preferably having an honours degree or doctorate, and in his late thirties to early forties.
Essentially he will have a minimum of 10 years post graduate experience in the application of chemical engineering technology, and it would be an advantage if some of that experience had been gained with a contracting organisation.

Salary to be negotiated, but will be commensurate with the seniority of the position.
This is a head office appointment at Crawley, where the staff enjoy excellent conditions of employment. Four weeks annual holiday entitlement, and a generous allowance towards relocation expenses where necessary.
Please contact the Personnel Manager, Woodall-Duckham Ltd, Crawley, Sussex, 'phone Crawley 28755, for an application form, quoting reference number ST 8571

Woodall-Duckham
WORLDWIDE PROCESS ENGINEERING AND CONSTRUCTION

British Waterways Board

ENGINEER (MECHANICAL & ELECTRICAL)

WATFORD

£2,835/£3,321 + £40 Watford Allowance

Applications are invited from chartered mechanical engineers who also have experience or qualification in electrical and/or marine engineering for the above post in Engineering Services, a part of the Chief Engineer's Department.

This appointment heads a section of Engineering Services concerned with application of mechanical and electrical engineering. This involves static and mobile plant and equipment at docks and warehouses, electrical and hydraulic installations, vehicle fleet maintenance and, in particular, direct control of six Plant Units which hold plant and specialised floating craft for the maintenance of the canal system nationally. Previous experience in any of the following fields would be advantageous: computer studies, plant maintenance programmes, optimum plant utilisation, mechanical design and specification, budgetary control of expenditure, fluid mechanics, marine craft design.

There are good conditions of service including luncheon facilities, a contributory superannuation scheme with interchange arrangements, a generous scale of subsistence allowances and a car mileage allowance for official use.

Applications stating age; detailing experience and qualifications; present post and salary; should be received by the Regional Personnel Officer, British Waterways Board, "Willow Grange," Church Road, Watford, WD1 3QA, by Wednesday, 28th July, 1971, quoting reference 34/54.

SOUTH AFRICA

Regional Bus Engineer

Engineer required for passenger transport organisation responsible to Chief Engineer for efficient maintenance and overhaul of 500 buses.
Applicants should be aged between 35 and 45; should have been in similar responsible position with bus or heavy transport company; qualification, MIRTE or MIMechE desirable.

Salary up to £5,000 p.a.
Assisted passages: Car provided

Please send details of qualifications to:—
Tollgate Holdings Ltd., Electra House, Victoria Embankment, W.C.2.

Confidential Reply Service

Give full details of your qualifications, past career and present salary. If there is any company to which we should not forward your reply, inform us accordingly but separately.

SENIOR MECHANICAL/NUCLEAR ENGINEER FOR DESIGN

The ideal candidate will have had 5-10 years' experience in managing a design team and be familiar with the practical problems connected with the design, construction and operation of Thermal or Nuclear Power Stations. Coupled with this broad background, he should preferably have a degree. He should be prepared to travel, with the possibility of working overseas.

SUPERVISOR, QUALITY CONTROL

The successful applicant will have had a broad inspection experience of pressure vessel fabrication and general mechanical engineering, with recent experience of running Quality Assurance Programmes. A corporate membership of one of the major institutions is desirable, along with familiarity with current N.D.T. practices.
These positions carry very attractive salaries with excellent working conditions and benefits.

Streets

Streets Advertising Ltd., Vacancy Code No. W.1/3, 57-61 Mortimer Street, London, W.1.

MANUFACTURING MANAGER Around £4,500

A challenging opportunity exists for an experienced production manager to head up a unit of some 800 people engaged in the processing and packaging of high-volume convenience foods.
We are looking for a man aged 35 to 45 with a technical qualification at degree level, where engineering would be an advantage. He must have been successful in a senior production position, and ideally also in a related function, in a major consumer goods company in the U.K., preferably engaged in food manufacturing.
An enlightened approach to the management of people at all levels, including experience with trade unions, is a fundamental requirement, together with proven experience in the development and use of sound controls, and the application of modern industrial engineering techniques. Contributory pension scheme with free life assurance and other attractive benefits.
Applications, please, with personal details including education, training, experience and salary progression, quoting ref. 7230 to: R. F. Scott, Group Appointments Adviser,

J Lyons Group of Companies
Cadby Hall London W14

Development Engineer (Software)

We have a vacancy for a Development Engineer to join the Process Control Engineering Group which is part of the Technical Development section of our Engineers Department. The Group is responsible for the development and introduction of automatic control techniques into the production processes. We are currently building a new factory where these techniques are of vital importance.
We are looking for someone to lead a small team involved in:-
1. The design of an overall software structure for on-line digital process control computers using and, where necessary, modifying manufacturers software packages.
2. Analysing problems of d.d.c., sequence control, data presentation etc.
3. Development and commissioning of specific computer programmes for on-line use as well as for process simulations and other purposes both in base-code and Fortran.
The man we appoint will have an appropriate degree or equivalent qualification preferably in control engineering together with considerable experience in programming on-line process control computers. Experience with Honeywell Series 16 computers would be an added advantage. The starting salary for this appointment will be not less than £2,635, subject to regular review, and there are other fringe benefits appropriate to a large progressive Company.
Anyone interested is invited to write for an application form to:

THE RECRUITMENT MANAGER
JOHN PLAYER AND SONS
NOTTINGHAM NG7 5PY

…risis of the schoolroom dole queue

…IONTH, 450,000 youngsters … school will join the job … They enter a working … which is ill-prepared for … and has done little to pre… …iem. Yet the months ahead …ape the rest of their lives. …r prospects are, at best, un… . In some areas and in … industries, they will have … rouble in finding jobs if …are not too choosey. In … they face only bitter dis… …ment with an unplanned … which has already prema… …cast out many of their …

… only last week, with un… …ment of the under-18s …is at its highest level since …, Robert Carr, Secretary of … for Employment, expressed …rn for their prospects. … as he was preparing to … the special body that was …lied in 1948 to advise his … on the employment and … of youngsters, his spokes… …old me: "In a year in … unemployment has risen, …iority of school leavers in … areas are likely to be … in a *reasonable* period." …ter in the day, Carr him… …hoed that statement when …ressed his advisory group, …tional Youth Employment … composed of represent… …of employers, unions, edu… … authorities and Carr's …epartment.

…er, its spokesman had … that *only* 2… of school … last year had failed to …ds by October.

…conceded that current … from careers officers of …outh Employment Service …st the position this year is …nt." Then he quickly cau… against exaggerating that …nce for fear that young… might be panicked into … school prematurely to …sure of their place in the …je.

… just how "different" is …ear? The Department of …yment's own latest figures …hat in June about 37,000 … 18s were registered as un…ed. That is a 60% increase …e 23,000 of June last year. …ng the current 37,000 un…ed youngsters, there are …ho are school leavers look…r their first jobs. That is … double the 2,700 who were … first jobs at the same time …ear.

… figures indicate that about … the 60% increase in total … unemployment has …ed since March, the very … the National Youth Em…ent Council became inactive … its three-year term ex…nd was not renewed for the …s when it was needed most. …eting last week was the …nce March of the recon…d body.

…hat are the chances for the … 500,000 youngsters who start seeking jobs next month? According to youth employment officers, their chances are best in London and the South East, where overall unemployment is lowest in the country. Job prospects in London were described as "good" and in the rest of the region as "not too bad."

But in regions like the North-East and Scotland, plagued by high general unemployment, youngsters were expected to face great difficulties. Traditionally, it is in those regions that the highest number of boys leave school at 15 to seek apprenticeships.

Office jobs appear to be the best bet for young job seekers, particularly in London and other relatively high employment areas.

But even in the South-East, some industries would be difficult to enter, and the motor trade is one. Even when unemployment levels are low, employment officers say, there are not enough for the demand.

The TUC is planning to appeal to the Confederation of British Industry to urge employers to increase this season's intake of youngsters. A TUC spokesman points out that the raising of the school-leaving age in 1973 could mean that youngsters will be in short supply then. The DEP estimates that 277,000 of those who would normally leave school then will remain on for another year. "We hope employers will do a bit of thoughtful forward planning and kill two birds with one stone now," the TUC spokesman said. Employers did, in fact, agree to do that during the so-called "bulge" of the 1960s. But, as a CBI spokesman points out, unemployment levels were much lower then. "It will be uncommonly difficult to take on more youngsters now in industries where adult unemployment is high," he said.

One of the perennial and long-term problems is that many youngsters leave school totally unprepared for any career or hoping for work for which they are completely unsuited.

The answer lies, some believe, in much earlier vocational guidance in the schools. One firm advocate of that course is Harry Dowson, chairman of the National Association of Careers Teachers and a deputy headmaster of Sheffield's Earl Marshall comprehensive school.

He wants to see the establishment of a national careers service in which carefully-structured career counselling would begin in secondary schools and be offered to all pupils from the age of 11 on. Now, not more than a quarter of Britain's secondary schools are thought to have careers teachers and, among those, few have the needed time or training for the task.

Better vocational guidance in future, of course, does not solve the problems immediately facing youngsters and their anxious parents. Clearly, parents would be wise to discuss with children the wisdom of their remaining on at school until the prospects for their employment show signs of tangible improvement.

Local employment services will be helpful now in measuring those prospects in your area. Unfortunately, YES careers officers are hopelessly overworked and will be unlikely to spend much time on any single case.

But another helpful source of information on your local employment picture might be the personnel departments of your principal local employers. They will certainly be able to advise you on changes in their own needs. And many companies run excellent training schemes for children with appropriate "A" levels.

Youngsters might also usually explore during their school holidays the opportunities for vocational training elsewhere and, again, local employment officers can be helpful here. Robert Carr announced last week, for example, that he would launch experimentally at three unnamed North Eastern colleges of further education special vocational courses for this year's school-leavers. They are expected to begin this winter.

Next week I will deal in greater detail with these problems and how you can beat them.

GET AHEAD

THOMAS HICKMAN

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Radio Broadcasting Senior Adviser
Alternative Service

This is a temporary appointment to assist the Minister of Posts and Telecommunications in developing the proposals in the Government White Paper "An Alternative Service of Radio Broadcasting" (Cmnd. 4636; March 1971). If and when the necessary legislation has been passed by Parliament, the successful candidate may be invited to join the staff of the proposed Independent Broadcasting Authority. The senior adviser will co-ordinate the work of a small team of specialists who will investigate and make recommendations on methods of achieving the objectives of the White Paper and who for this purpose will work alongside the Independent Television Authority. In particular he will advise on the planning and establishment of an alternative radio system as *outlined* and *will co-ordinate consideration of relevant engineering*, finance, programme, advertising and legal matters. He will deal with questions raised by potential programme companies and enter into discussions with other organisations interested in the provision of programme material or other services. Candidates must be top level administrators with a successful record, be able to tackle the problem of establishing and operating a broadcasting service, and have several years' relevant experience preferably in public communications using one or more of the major media. Please write stating how each requirement is met to P. H. L. Thomas reference SA.11131.

General Manager—Sales — up to £5000
Safety Products
Home Counties

Part of a major international group of companies, our client is a leading supplier of a wide range of safety products to industry and other users. The objectives of the appointed candidate will be to maintain the rate of growth which has already been achieved in existing markets, to open up new outlets, and to develop a marketing strategy based on the provision of a comprehensive safety service. He will be accountable to the Managing Director. Aged 37 to 45, and preferably holding a degree or equivalent professional qualification, he will have extensive and successful experience in sales and marketing – probably in engineering. He must have been accountable for the creation of marketing policy – and for its implementation through a national sales team. His current salary is unlikely to be less than £3,500. Rover 2000 and other appropriate benefits. Please write or telephone for further information. C. Bexon reference SA.2494.

Chief Accountant — £4500 plus
Freightliners Limited
London

A subsidiary of the National Freight Corporation, Freightliners Limited provides fast, low-cost container train transit between highly-mechanised operating terminals and the associated road delivery and collection services. The Chief Accountant will be responsible to an Assistant Managing Director for the management and further development of the well established financial function. He will also play a key role in the planned doubling of the company's turnover by 1975. Preferably 35 to 45, he must be an ACA, ACCA, or ACWA. He will have several years' senior experience and will be thoroughly familiar with modern techniques of financial management. He will also have the management skills that will enable him to provide effective leadership to a strong supporting team. The career prospects are very good and could be in either financial or general management. Re-location assistance. Please write or telephone for further information. C. Bexon reference SA.2495.

Marketing Manager — at least £4000
Foodstuffs — London

for a company with a national reputation, a subsidiary of a group which achieved sales of £294m. in 1970, which plans expansion of business especially through supermarkets, chains and multiples. This new appointment carries accountability to the MD for the total sales/marketing function including managing the regional sales offices, the special accounts function, market research, forecasting, advertising and negotiations with major customers. Candidates, under 45 years, should have had experience relevant to these duties and a record of successful selling and marketing with fast-moving consumer goods. The ability to formulate and execute marketing policy and to motivate sales staff to achieve objectives is essential. Please write stating how each requirement is met to Dr. E. A. Davies reference SA.40017.

Systems Engineers—Canada
up to $15,000

They will join a recently formed project team to work on a multi-functional equipment system for aircraft. A subsidiary of a large international group, the company is competing strongly for this contract. Reporting to project team leaders, the systems engineers' specialist activities will include navigational systems, communications systems, display systems, tactical data processing systems, sensor systems, acoustic systems, and integrated logistic support systems. Within their activity, they will design and develop systems to fulfil operation requirements, producing specifications to define the equipment, and integrating the systems into the aircraft with performance verifications. Probably aged over 26, candidates must be qualified engineers and have at least 5 years' industrial or military experience of design, development, and evaluation in a relevant specialist activity. Experience of aircraft equipment installations would be valued. Pension; life assurance; generous re-location help. Long or short term contracts. Please write or telephone for further information. G. E. Howard reference SA.2502.

Accountants (2)—Paris

for a recently acquired subsidiary company of a multi-national group employing over 20,000 persons and having a turnover exceeding $180m. Both appointments, described below, will be located in Paris and fluency in the French language is essential. Fringe benefits include medical cover. 4 weeks' annual holiday. Assistance with re-location. Negotiable starting salary. Please write or telephone for further information to P. H. L. Thomas quoting the appropriate reference.

Senior Accountant

to be responsible to the Accounting Manager for the upgrading of accounting systems for accounting studies and field work involving costing and preparation of budgets. Candidates should be either chartered or certified and must have substantial post-qualification experience either in the profession or in industry. Preferred age 27 to 35, up to $16,000. Reference SA.2496.

Accountant

for similar but less responsible work with at least 5 years' accounting experience in either costing or audit work. A fair amount of travel will be involved. Preferably under 30 years of age, up to $10,000. Reference SA.2497.

Industrial Engineer — about £4500
Aluminium Smelting
Bahrain

Aluminium Bahrain (ALBA) will be producing about 60,000 tons of aluminium per annum by the end of 1971 and 120,000 by the end of next year, when in full production. The Industrial Engineer will be responsible to the Divisional Production Manager and will: assist in the organisation and control of all production from the smelter; conduct efficiency studies; co-ordinate industrial engineering, safety aspects and reporting systems; and investigate problem areas. Emoluments (salary plus various allowances) quoted above are presently tax free and currently there are no exchange control restrictions. Conditions of service accord with the best overseas practice and will be revealed to candidates invited for interview. Candidates, in their late 20's, must be qualified engineers with metallurgical backgrounds or qualified metallurgists with backgrounds of at least three years in industrial engineering. Please write stating how each requirement is met to K. A. McIntosh reference SA.30163.

Managing Director — £4000 plus
International Freight

for Pickfords Shipping and Forwarding Co. Ltd., a subsidiary of the National Freight Corporation. He will be expected to develop further the company's long-established role in international freight and associated activities, to carry through the changes made necessary by a business strategy directed at profitable growth, and to achieve agreed business objectives. London-based, the appointment will initially involve considerable travel in the UK and throughout the world. Ideally in his 30's, he must have profit accountability experience in a marketing oriented business, preferably in the field of international freight forwarding. Candidates who can offer firm evidence of success in other fields will, however, be considered. Experience involving overseas agency operations would be highly advantageous. Company car, re-location assistance, and other benefits. Please write or telephone for further information. C. Bexon reference SA.2488.

Chief Engineer — above £5000
Mechanical Services

This appointment, in a world famous company which is expanding its production capacity throughout Western Europe, is to head an organisation employing nearly 1,000 people which provides mechanical engineering services for the British factories. The factories are equipped with medium to heavy high speed production plant and associated mechanical handling equipment. As well as maintenance and installation organisations, the Chief Engineer will control drawing office and planning staffs and substantial toolroom and workshop facilities. Men aged below 40 are unlikely to have had the breadth and depth of experience sought; otherwise candidates must be chartered engineers preferably university graduates, with senior line management experience in the engineering industry. The demonstrated ability effectively to manage a large organisation through a subordinate structure, plus union negotiating competence, is more important than works engineering expertise although this will, of course, be valued. Please write or telephone for further information. W. A. Griffiths reference SA.2500.

Manager
National Development Bank — Botswana

The Bank is a statutory corporation established in 1963 to make available loans to individuals and companies in Botswana for development purposes. It has assets of approximately R2m.; the average loan is small, being of the order of R100 or less. The Bank has a small staff, all located in Gaborone; the Manager is accountable to a Board for the day-to-day work of the Bank. Candidates should have previous experience of development, as distinct from commercial, banking and be *familiar with principles and practices of banking in developing countries*. Experience in the administration of small loans or agricultural credit is essential; an accounting qualification is desirable. Preferred age range is 35 to 50 years. Appointment would be by contract from 24 to 36 months. Gross salary is R7,000, tax free gratuity payable on satisfactory completion of contract, rent free furnished house, children's educational allowance payable in some circumstances. Please write or telephone for further information. P. H. L. Thomas reference SA.2489.

Commercial Manager — £4000
Director Designate — plus car

A company secretary or accountant age 35 to 40 with qualifications and experience of commercial administration in a mechanical engineering capital goods company, is likely to find this appointment of interest. Our client is a multi-company division of a light to medium engineering public group having total current sales of £8m. The successful candidate will have *had experience of, and be responsible for financial and management accounting in the division*; for the commercial aspects of contracts management, and for negotiations with suppliers and customers. Profit sharing bonus in addition to salary; other fringe benefits normal to big companies. Location Home Counties. Please write stating how each requirement is met to G. V. Barker-Benfield reference SA.12023.

Corporate Planning — at least £4000
International Group — London based

These are pioneer appointments with an international pharmaceutical group's recently created corporate planning division. Reporting to the division's head who is responsible to the group's Chief Executive, their immediate tasks will be to critically appraise total group plans and performance. Specific activities will include strategic planning for the co-ordination of the group's total resources and appraisal of diversification and acquisition projects. Candidates, ideally 30 to 35, with industrial experience including corporate planning and line management *should preferably be accountants or business graduates. High intellectual ability coupled with* well rounded personalities are essential. Some travel will be involved. Please write or telephone for further information. R. Llewellyn reference SA.2501.

Works Manager — up to £4000
Light Engineering — S. Wales

for a modern factory employing a mixed labour force of 800 in the high volume, large batch production of consumer durables in wide variety. Annual output is valued at £3m.; manufacturing processes include press work, plastic moulding, machining, finishing and assembly. He will ensure through his department heads that the factory achieves target production within the budgeted time and cost. The operation is growing and there are promotion prospects. Candidates, aged 32 to 40 and preferably qualified engineers, must offer at least five years' successful experience under demanding conditions in charge of a large scale light engineering production unit employing all the relevant management techniques. Car, pension, life assurance, re-location expenses. Please write stating how each requirement is met to W. J. O. Michie reference SA.32188.

WALL PAPER MANUFACTURERS LIMITED is one of the three principal UK subsidiary companies of Reed International. Its eight divisions include Wallcoverings, Sanderson, Paint, Merchant & Retail, Texales, Polycell, Building Products and Household Textiles. There are some 18,000 employees.

Personnel Director

New Appointment: negotiable from £6000

He will report to the Managing Director of WPM Limited and work closely with him and his Divisional Chief Executives in improving the company's overall performance in the human relations field. This will include management development, training, personnel administration and industrial relations. The divisions, essentially autonomous in operation and comprising some 24 subsidiary companies throughout the UK, will be looking for an authoritative personnel advisory service from the centre. Based in London he will take over a small central group of specialists and carry out his tasks in close collaboration with the personnel and training staffs of the divisions.

This key appointment demands a man with all round experience in the whole field of personnel. Candidates should have the potential for ultimate appointment to the Board of WPM Limited.

Car provided. Contributory pension and free life insurance.

Please write briefly, quoting reference SA.6: **J. S. McGavin, Reed International Limited, 82 Piccadilly, London, W1A 1EJ.**

Chartered Accountant

Required for key post with Devitt Langton & Dawnay Day Ltd., a medium sized Lloyd's insurance broking and Underwriting group.

Initially as Deputy to Group Company Secretary including duties as Secretary to one of the companies. The intention is for the successful candidate, after several years, to succeed the Group Company Secretary who is also the Financial Director to the principal broking company..

Candidates should be aged between 28 and 35. Salary between £3,250 and £3,750, negotiable according to experience. Excellent *non-contributory pension scheme.*

Ring or write for application form to **Group Company Secretary, 92 Fenchurch Street, London, EC3M 4EA. Telephone Number 01-488 3191.**

REGIONAL ACCOUNTANT

BEIRUT—LEBANON

£4,500 p.a. and Local Allowances

Qualified Accountants, preferably with Overseas service, are invited to apply for this permanent appointment within the international organisation of a company with world wide repute in the pharmaceutical and allied products industry. Duties embrace responsibility for consolidating financial and managerial reporting applicable to all near East territories.
The successful applicant will be married and prepared to travel occasionally on short tour duration within the area. Minimum age 35 years.
Commencing salary £4,500 p.a., local living allowance, non-contributory pension scheme. Introductory tour 2½ years and annually thereafter.
Application forms obtainable from the Finance Director, 14, Hewett Street, London, E.C.2.

FINANCIAL DIRECTOR DESIGNATE

Our client is a well-established national Group with an excellent growth and profit record, operating mainly in wholesale and retail distribution and with substantial manufacturing interests. Turnover reaches £50 millions and 5,000 staff are employed at locations throughout the U.K. Considerable further expansion and diversification are planned.

A financial Executive of Director calibre is required. He will take responsibility for all aspects of financial and accounting control and co-ordination throughout the Group.
The right candidate is a Chartered Accountant under 40 and already earning about £5,000 p.a. He has a sound background of commercial accountancy and administration. His recent experience is in market-orientated companies in which he successfully integrated the EDP and accounting functions. He can make optimum use of the computer.
The starting salary is negotiable and progress should be rapid leading to an early Board appointment. Comprehensive fringe benefits include a company car.
Head Office is now near the City but will be relocated in *the Home Counties north of the Thames. Some travel in* the U.K. will be involved.
Please write in strict confidence to the Chairman, detailing education, training and employment history, quoting ref: FDD.

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The appointment involves line responsibility for the Management and Laborato Services Division, and overall financial planning and control; the latter activi will involve

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- formulating capital requirements
- advising on pricing arrangements

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Financial Controller *West Midlands, £3,000 plu*

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INDICATOR	PROFITS	DIVIDENDS	PRICE CHANGES
Last week	£130.2m (+11.3%)	Up: 40 Down: 9 Same: 21	The Times Industrial Share Index 168.64 (+9.58 on the week) Wharf Holdings 220p (+88p) Singer & Friedlander 228p (+76p) GUS 'A' 415p (+53p)
Last 52 weeks	£5,165m (+5.1%)	Up: 1,584 Down: 584 Same: 1,650	Joseph Lucas 235p (+33p) Peko-Wallsend 425p (—60p) Tara Exploration 815p (—60p)

Figures show annual pre-tax profits for industrial companies reporting last week and over the last 12 months.
Statistics by Exchange Telegraph

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
60	48	Lloyd, F. H.	60	+7	4.9	7.1	11.6
13½	9	Locker, T.	13½	+1¼	0.8	5.9	11.3
75	50	Ldn. & Midland	73	+1	4.4	6.0	8.3
94½	38½	London Brick	94½	+5½	3.8	4.0	17.2
263¾	158	Lucas Ind.	235	+33	9.0	3.8	15.0
522	320	Lyons (J.) Ord.	522	+7	13.6	2.6	20.4
M—N							
122	78¾	M.K. Electric	121	+4	4.5	3.7	17.0

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
31½	18½	Metalrax	29	...	1.9	6.6	8.8
48¾	29	Meyer, M. L.	47	+3	2.8	5.9	13.9
88¾	60	M.E.M.	75	+3	2.5	3.3	15.3
73	45	Midland Alum.	70	...	5.0	7.1	11.7
110	72	Miles Druce	90	+4½	5.5	6.1	6.3
37⅞	19	Miller Stan.	24	−2	2.0	8.3	13.6
40	7½	Modern Eng.	37	+4	2.8	7.4	12.4
136	81¼	Morgan Cruc	128	+8	5.3	4.1	15.1
20	11½	Mt. Charlotte	17½	...	0.7	3.7	16.1

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
135	88½	Lead Industries	113	+2	5.5	4.9	10.7
45	20	Letraset	32	+4	1.0	3.1	17.7
160	112½	Lewis & Peat	148	...	5.0	3.4	13.9
150	100	Do. A	138	+1	5.0	3.6	13.0
210	98¼	Lex Services	218	+14	3.8n	1.7	16.0
52½	35	Leyland Paints	53	+3	3.1	3.9	14.1
90	30	Lines Bros.	31	−2	...	...	...
59½	29	Lister & Co.	45	+4	3.5	7.8	22.8

Company	Price	Ch'ge	Div. pence	Yld. %	P/E
Bydand	70	+1	...	...	...
Cadbury Sch.	51	+2	4.0	4.9	19.1
Campari	118	+2	4.7	4.0	14.0
Camrex Hgs.	148	+12	4.2	2.9	14.5
Cape Asbestos	143	+6	6.9	4.8	17.6

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
19¾	13/16	L.O.S.M.	£1 3/16	...	...	...	...
36½	1½	L.O.S.M.	£2½	+⅛	...	...	...
278	116¼	Jessel Secs.	262	+10	12.0b	4.6	14.6
107	85¾	Lloyds & Scot.	107	+17	3.2b	3.0	19.6
199	111¼	Mercantile Crd.	190	+19	6.4	3.4	20.9
166¼	62½	Ralli Int.	128	+2	5.0	3.9	17.1
68	39	Refuge Secs.	68	+8	2.9b	4.2	12.6
199	103¼	Utd. Dom. Tst.	195	+10	6.0n	3.1	...
75	32½	Western Credit	75	+5	2.5	3.3	...

1970/71 High	Low	Company	Price	Ch'ge	Div. pence	Yld. %	P/E
INSURANCE							
458	221¾	Bowring	458	+18	9.5	2.1	...
470	250	Com. Union	470	+28	15.3	3.2	...
438	230	Eagle Star	430	+12	12.0	2.5	...
246	113¾	Guardian Ryl.	246	+24	8.0	3.3	...
131	57⅞	Hammond (L.)	127	...	5.0	3.9	16.8
142	50¾	Howden (Alex)	140	+5	4.3	3.0	20.7
348	172½	Legal & Gen.	346	+10	7.2g	2.1	...
280	173¾	Pearl	266	+12	10.0	3.8	...
181	107½	Prudential	175	+11	5.3	3.0	...
391	191¼	Royal	391	+21	13.0	3.3	...
342	192½	Staplegreen	342	+17	12.5	3.7	19.2
INVESTMENT TRUSTS							
100	61¼	Great Nthn.	100	+4	3.6b	3.6	26.3
66	38¾	Hume Hldgs. 'A'	66	+6	2.2	3.3	25.9
130	75	Ldn. El. & Gen.	95	+2	1.8	1.9	52.5
56½	34½	Mercantile Inv.	56½	+2½	2.1	3.6	26.9
195	86¼	Triumph Inv.	● 195	+20	8.3	4.2	...
230	142½	Trustees Corp.	230	+12	6.9	3.0	26.9
179	98¾	Utd. Brit. Secs.	179	+15	5.6	3.1	31.5
45	30	U.K. & Overseas	42	...	3.0b	7.1	13.1
REGIONALS							
26	15	Bakers Stores	25	−1	1.0	4.0	7.3
115	75	Beechwood	104	+10	5.5	5.3	8.9
50¼	16	Bellair Cos.	30	...	2.3	7.5	8.8
47½	26	Dolan, W.	28½	−½	2.2	7.7	10.6
36	25½	Evans, F. W.	36	...	1.8	4.9	9.5
102½	45	Navan Carpets	45	...	4.1	9.1	9.8
12⅞	9¾	Nth. Mid. Const.	11	−¼	1.1	10.0	4.2
32½	17½	Pressed Felts	20	+2½	2.0	10.0	5.2
167	127½	Youghal C'pts.	165	+3	9.8	5.9	9.2

NEW ISSUES

Issue Price	Company	Price	Rise or Fall
110	Burston Group 25p	105	+5
38	Coley-Rotolin 25p	41	+1
—	Cosalt 25p	56	+2
80	Evans of Leeds 25p	95½	+7½
45	Fairview Estates 10p	62	+½
100	Glendevon Invest 25p Ord	103	+3½
100	Glendevon Invest 25p B Ord	110½	+2½
52	Lawdon 10p	57	+5
40	Lincroft Kilgour 10p	39	−1
135	MFI Warehouses 10p	185	+2
—	Matthews Wrightson 20p	262	+9
62	NSS Newsagents	78	+16
75	Tranmer Group 10p	75	−2

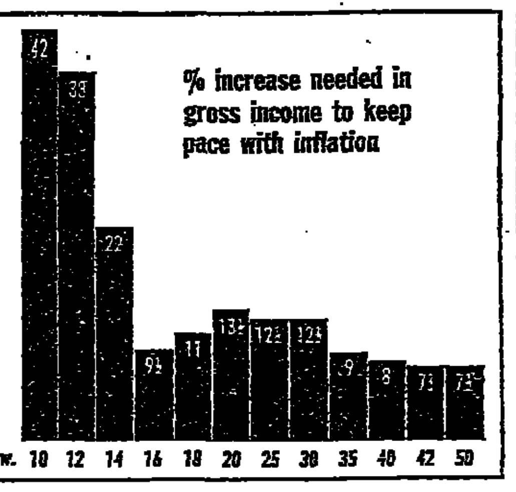
● Ex dividend. a Ex all. b Forecast dividend. c Corrected price. e Interim payment passed. f Price at suspension. g Div. and yield exclude a special payment. h Bid for company. k Ex capital distribution. n Forecast earnings. p Pre-merger figures. r Ex rights. s Ex scrip. t Tax free. y Price adjusted for late dealings. ... No significant data.
(Further Stock Market quotations may be included in this table at a rate of £78 per annum per quotation.)
In the price-earnings ratios on this page the share price is compared with the company's annual profits. Latest available earnings are used, allowing for corporation tax, normally on a 42½ per cent basis, trusts, banks, insurance companies along with certain mines and overseas groups excluded.

SUNDAY TIMES BUSINESS NEWS

Why fair rents will bring giant wage demands

The position of a family with two children under 11 living in a council or unfurnished private house/flat where fair rent is £6 a week

Gross wkly. income	Gross annual income	Income tax effect	FIS effect	Nat. Ins. effect	Rent effect	Annual 'net' income
£	£	£	£	£	£	£
10	520	—	+156	−49	−14	613
12	624	—	+109	−54	−40	639
14	728	—	+57	−59	−66	660
16	832	—	—	−64	−92	676
18	936	—	—	−69	−118	749
20	1,040	−29	—	−74	−127	810
25	1,300	−108	—	−85	−182	925
30	1,560	−186	—	−96	−226	1,052
35	1,820	−264	—	−107	−271	1,178
40	2,080	−343	—	−118	−312	1,307
42	2,184	−374	—	−122	−312	1,376
50	2,600	−500	—	−122	−312	1,666



SOME LOW PAID workers will *soon need pay-rises around 40%* a year if their standard of living is not to fall. This startling conclusion follows from last week's Government rent rebate proposals, which completed a cycle of tax and subsidy changes started when the Conservatives took office 13 months ago. The figure which applies to the ½ million families earning up to £12 a week, assumes an 8% rate of inflation—slightly lower than Britain has been experiencing recently. The majority of workers will not need such pay rises, but millions will require increases of around 12 to 13% a year just to keep up with the cost of living. These facts are bound to jeopardise the Government's policy of stemming high wage demands, and will shatter any lingering hopes in Whitehall of devising an incomes policy acceptable to the unions.

What the Government has, in essence, done, with the Family Income Supplement announced last autumn and now with the rent rebate scheme, is to provide *low-paid workers with subsidies* which rapidly diminish as their income rises. The result is that at certain levels a pay rise will lead to only a small extra sum of money to spend after the rent has been paid.

The slowest rise in net income *occurs in the £10 to £16 a week gross income range which covers* over one million families. Here, out of a £6 a week rise, only £1.20 could actually be spent. This is, in effect, a marginal "tax" rate *of 80%*—which, astonishingly, is even higher than the top surtax rate, now 75%.

The Government's plans affect any family living in a council house or flat, or renting privately unfurnished accommodation. This amounts to almost eight million families in all: or two households in every five in Britain—which means a majority of families living on average or below average incomes. As an illustration of what will happen when the rent rebate scheme starts in 1973, consider the case of a family with two children under 11, living in a council house with a "fair rent" of £6 a week. (The fair rent system will supersede the present one, where rents are often subsidised irrespective of the occupants' income.)

At £8 a week, or £416 a year, the rent *will be subsidised to the full amount; in addition the family* will receive a family income supplement (*FIS*) of £156 a year. After national insurance has been paid, the disposable income will be £526. At £9 a week, the family will start paying rent. As soon as the income rises above £10 a week the FIS starts to decline, ending altogether at £16 a week. Then until almost the £20 a week mark there is a lull where neither FIS is received nor income tax paid. But after that, 30p of every extra £ earned goes to the Inland Revenue. At £40 a week the rent subsidy stops, and at £42 national insurance contributions reach their peak. From this point on only income tax continues to bite more deeply *into increased earnings.*

The chart/table shows what happens. Net income (disposable income after the rent has been paid) rises very much more slowly than gross income. If gross income doubles from £8 a week to £16—£416 to £832 a year —net income rises less than 30% from £568 to £730 a year.

It is in this range that exceptionally high pay rises would be needed to keep pace with inflation. Between £16 and £20 a week *the situation is less critical, because the family will have to* meet only higher rent and national insurance payments from a bigger income. A £16-a-week man would require a relatively modest 9½% rise in gross income to keep himself secure against an 8% rise in prices.

But as income tax begins to bite, the required pay rises once more start increasing. Because millions of workers earn £20 to £30 a week, it is to this range that many union officials will look. If any union negotiator wants to protect those members who rent council or unfurnished accommodation against an 8% rate of inflation then, when the new scheme starts, he will have to demand 12 to 13% higher *wages. Naturally, any increase in* real living standards would require even larger rises.

At higher incomes, the situation eases. Only income tax carries on rising, so a 7½ to 8% pay rise will be sufficient to ward off the effects of inflation. Indeed, above £40 a week, the marginal rate of "taxation" (including rent) is actually lower than the average rate—and remains so until surtax begins.

There is a further consideration, *not included in the chart/table. At £20 a week, a family* with two children is entitled to free prescriptions, and optical and dental treatment, free school meals for children at school, and free milk and welfare foods for children under school age. By £22 a week, all these facilities have gone. The expenditure generated by a pay rise at this level will depend on many things—such as the health of the family, and whether parents want their children to have school meals. But for a family suffering some slight—and no severe—ailments during the year, and with one of the two children taking school meals, the extra expenditure is likely to be about £30 a year. To meet *this bill, as well as protect itself* against 8% inflation, a £20 a week family would need an 18½% pay rise, from £1,040 a year to £1,230.

In all these calculations we have *taken a particular, though fairly typical type of family, and traced* its fortunes through different income levels. The specific calculations will vary from case to case, *but the general proposition* will remain valid: that the majority of near or below average *wage earners who rent council or unfurnished accommodation,* will need pay rises substantially greater than the rate of inflation if their standard of living is not to fall.

Peter Kellner

Who really cares about consumer

ANY OTHER BUSINESS

by Peter Wilsher

WHICH POLITICAL party in Britain genuinely represents the consumer? Neither the Tories, despite their emphasis on competition, standing-on-your-own feet and widespread tax reduction, nor Labour, with its attachment to blanket subsidies, state ownership, and selective interventionalism. They both, when it comes to the crunch, believe that the gentleman in Whitehall and Westminster knows best. And although they both talk a great deal about the need for personal responsibility in a mature society, they both contrive, in their various ways, to minimise the area of personal choice where such responsibility can actually express itself.

Sam Brittan, I am happy to recognise, as a fellow financial journalist, is one of the most subtle and penetrating economic thinkers currently writing in Britain. In his new pamphlet, "Government and Market Economy" (Institute of Economic Affairs, 75p), which is out this weekend, he analyses just how such choice has been, and continues to be, curtailed; and even more interestingly, how its extension could help to solve many of those complex social, environmental, distributional problems which we find so intractable under our two present alternative regimes.

It is hardly neccessary to say that there is *no* crude call here for a return to the blatant, laissez-faire, no-holds-barred type of "economic freedom" which is supposed to have characterised 19th-century capitalism. Brittan sees as clearly as anyone that such fundamental matters as poverty, health, education, regional balance, housing and city transportation cannot, in our age, be left to the unfettered workings of the private enterprise market.

The point he makes, however, is that both Conservatives and Socialists take far too black and *white an attitude here. Because* unfettered private enterprise is no longer tolerable in many of the key areas of economic life, they both, in their different ways, arrange things so that no effective private enterprise can operate there. And the result increasingly tends to be a situation where all the really significant needs of human existence are met, on a take-it-or-leave-it, state-encouraged monopoly basis, either "free" or at artificial prices subsidised out of some part of the central tax fund. Take home pay, by and large, is disposable only in the areas of food, household furnishing and leisure. With the result that "what people *really* want" can, over an increasingly wide area, be expressed only through the blunt instrument of the ballot box, and not through the direct and detailed discipline of the purse and the cheque book.

One valuable service Brittan performs here is to show just how limited the Tory effort has been over the last 12 months to extend this area of choice. All the great talk of shooting lame ducks, *the stimulating effect of bankruptcies, the hiving-off of State activities,* the move to less-but-better Government, and *the need for* selectivity in the social services, in fact add up to quite remarkably little in the way of increasing the scope for personal decision-making. "More competition" is a fine slogan; but what has usually happened is merely a shift in responsibility from one Government-backed monopoly to another (as with the setting up of the "second force airline") or from one paternalistic bit of *the bureaucracy to another (such* as shutting down the IRC just before the Rolls-Royce debacle, and then sending the governor of the Bank of England round the City with his begging bowl instead). *And* when Edward Heath actually found a piece of the administrative fabric specifically devoted to improving the workings of the competitive market, like the Consumer Council, his only thought was to close it down in order to save £240,000 a year.

The book is probing and provocative, in its slender 76 pages, on a variety of topics from Concorde ("the most flagrant . . . of anti-market policies") to the new agricultural policy ("the consumer would pay [...] *cost of food only if* the [...] out of farm subsidi[...] followed by a free [...] policy"). But perh[...] flavour is best conveyed [...] of the throw-away idea[...] develops as to how a [...] sophisticated market [...] might be expected to imp[...] quality of life and ch[...]

He is particularly [...] instance, on the urban [...] mess where the crippli[...] incurred on subsidised a[...] utilised commuter ro[...] *compounded by the* [...] tangle and frustration [...] city traffic jams. Instea[...] ting out the loss-making train routes, he says, it [...] far more sensible to e[...] the transport services t[...] ment with double and tre[...] —unpopular, but better [...] canting the whole travel [...] lic into the private ca[...] Such an approach wo[...] allow premium rates fo[...] need-based novelties, lik[...] night bus or tube se[...] London. People, he [...] would be quite happy to [...] or 50p to get home at 4 [...] the only alternative is a [...] and the high fares wou[...] really attractive premiu[...] to get the necessary st[...] further to that, would [...] sensible to end the mon[...] striction on the number [...] don taxi-cabs, and enc[...] proliferation of co[...] mini-bus operators to [...] public a range of prices [...] of luxury, availability an[...] rest, while making fa[...] *use of scarce road space* [...] under-used commuting s[...]

It is micro-areas [...] where authoritarianism [...] benevolent State have dr[...] commercial imagination [...] tiative from the scene [...] general loss of all.

Everywhere, from se[...] air-travel, we want new [...] thinking up new ideas, [...] new methods of meet[...] needs (or inventing n[...] have never thought o[...] despite the anti-ad[...] school, has probably do[...] than anything to imp[...] quality of our lives), [...] suading us to buy the re[...] of our own pockets. [...] everywhere from pens[...] hospitals, we tend to get [...] requirements supplied o[...] differentiated, not very [...] rather high-priced bas[...] State which cannot un[...] why we are not more [...] or why the macro-econor[...] lems, which largely ar[...] this approach, are so ha[...] ing. Perhaps, one day, [...] voice of the consumer w[...] be heard in Whitehall a[...] then we may all have [...] chance.

New freight chief slashes £25 million loss

BY NICHOLAS FAITH

WITHIN a couple of years one of the lamest ducks in the public sector ought to be out of the red. The new management at the nationalised National Freight Corporation, under Dan Pettit, who until last year ran Unilever's successful SPD transport subsidiary, is confident that by 1973 National Carriers Ltd., which last year made a loss—before paying any interest on its capital—of around £12 million, will break even.

This would be a spectacular achievement. In 1968, when NCL was still a British Rail parcels subsidiary it made a loss of £25 million—about half its turnover. Losses since then have gone down *to £16 million and then to £12* million. This year the loss should be down to £8 million, and the year after to £3 million. This *forecast* implies that NFC will need under £40 million out of the £60 million five-year government grant which it was given to cover NCL's deficits.

This short-term saving involves the closure of many of NCL's smaller depots, concentrating on bigger customers and handing over some of the local parcels collections to small private businesses. But also, like a lot of NFC's present policies, it involves an aggressive search after business. Pettit's whole strategy was expressed in a management reorganisation earlier this year. This has grouped NFC's sprawl of companies including such well-known names as Pickford's and Tartan Arrow as well as the thousands of yellow-painted vans and lorries carrying the BRS symbol under six co-ordinators.

Pettit's strategy is strictly commercial, and any of his 30-odd companies that does not show signs of being able to earn 15% on the capital employed is likely to be chopped. But he is hoping to use NFC's at present barely-profitable 30 company sprawl to provide a more thorough range of *transport and warehousing services* for industry than any of his private sector rivals. Already NFC has a number of such ideas, like Nightpak which delivers at night to many supermarkets and Airlink, a joint company with the nationalised airlines, to speed up the delivery and collection of air-freight.

OTHER joint ventures are likely to follow Airlink and the consortium of nationalised road, rail and docks which will be handling Southampton's massive container business from next year. One of the most spectacular such ventures could be a joint offer by NFC and the railways, to the Post Office to do all the long and short *haul carrying needed for parcels* and letters alike.

But if Pettit can't get the right sense of urgency into his empire then more of his companies could be a candidate for hiving-off: already his two shipping companies, which were due to be sold to British Rail, are beginning to be sold off; and, a number of other NFC companies are either so profitable (like some of the local haulage groups which earn up to 30% on their capital), so separate (like Pickford's household removals and Travel Service) or so unprofitable (like the parcels interests) that they would be prime candidates if all does not go right.

APPOINTMENTS INDEX

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